

**1946 EXTENSION OF THE EMERGENCY PRICE CONTROL
AND STABILIZATION ACTS OF 1942, AS AMENDED**

HEARINGS
BEFORE THE
COMMITTEE ON BANKING AND CURRENCY
UNITED STATES SENATE
SEVENTY-NINTH CONGRESS

SECOND SESSION

ON

S. 2028

A BILL TO AMEND THE EMERGENCY PRICE CONTROL
ACT OF 1942, AS AMENDED, AND THE STABIL-
ZATION ACT OF 1942, AS AMENDED,
AND FOR OTHER PURPOSES

VOLUME 2

MAY 2, 3, 6, 7, 8, 9, AND 10, 1946

APPENDIX I AND II

Printed for the use of the Committee on Banking and Currency



UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1946

85721

COMMITTEE ON BANKING AND CURRENCY

ROBERT F. WAGNER, New York, *Chairman*

CARTER GLASS, Virginia

ALBEN W. BARKLEY, Kentucky

JOHN H. BANKHEAD 2d, Alabama

GEORGE L. RADCLIFFE, Maryland

SHERIDAN DOWNEY, California

ABE MURDOCK, Utah

ERNEST W. McFARLAND, Arizona

GLEN H. TAYLOR, Idaho

J. WILLIAM FULBRIGHT, Arkansas

HUGH B. MITCHELL, Washington

E. P. CARVILLE, Nevada

CHARLES W. TOBEY, New Hampshire

ROBERT A. TAFT, Ohio

HUGH A. BUTLER, Nebraska

ARTHUR CAPPER, Kansas

C. DOUGLASS BUCK, Delaware

EUGENE D. MILLIKIN, Colorado

BOURKE B. HICKENLOOPER, Iowa

HOMER E. CAPEHART, Indiana

DAVID DELMAN, *Clerk*

PHILIP LEVY, *Counsel*

CONTENTS

Statement of—	Page
Bockman, Jules, assistant professor, New York University, School of Commerce, Accounts and Finance.....	1632
Brown, Russell B., general counsel, Independent Petroleum Association of America, before the Senate Banking and Currency Committee.....	1250
Clifford, Arthur, representing the National Retail Lumber Dealers Association.....	1381
Constantine, Earl, president, National Association of Hosiery Manufacturers, New York City.....	1499
Costello, John M., general counsel, Los Angeles Chamber of Commerce, Los Angeles, Calif.....	1433
Dorset, W. S., president, Institute of Shortening Manufacturers, Sherman, Tex.....	1478
Downs, James C., Jr., representing National Association of Real Estate Boards, Chicago, Ill.....	1187
Eccles, Marriner S., chairman, Board of Governors of the Federal Reserve System, Washington, D. C.....	1613
Erikson, A. L., Office of Price Administration.....	1791
Farr, W. D., secretary of the Colorado-Nebraska Lamb Feeders Association, Greeley, Colo.....	1344
Garrison, Flint, consultant for the Wholesale Dry Goods Institute, Scarsdale, N. Y.....	1349
Houghten, C. T., president, Good Luck Glove Co., Carbondale, Ill.....	1526
Koppel, Arthur D., vice chairman, Metropolitan Fair Rent Committee, New York City.....	1488
Korn, Philip, national legislative chairman, Jewish War Veterans of the United States of America, New York City.....	1157
LaRoe, Wilbur, Jr., general counsel, National Independent Meat Packers Association.....	1231
Love, J. S., Jr., president, Mississippi Hotel Association, Biloxi, Miss.....	1607
Mallon, W. L., president, National Automobile Dealers Association, Newark, N. J.....	1259
Mason, A. H., vice president, Wells Lamont Corp., Chicago Ill.....	1523
Moncharsh, George, deputy administrator for enforcement, Office of Price Administration, Washington, D. C.....	1530, 1663
Montague, Joe G., attorney for the Texas & Southwestern Cattle Raisers' Association, Fort Worth, Tex.....	1212
Page, Walter, evaporated milk member of the Dairy Industry Committee.....	1538
Pickell, Mark W., secretary, Corn Belt Livestock Feeders Association, Naperville, Ill.....	1160
Porter, Frank M., president, Mid-Continent Oil and Gas Association, Tulsa, Okla.....	1256
Porter, Paul, administrator, Office of Price Administration, Washington, D. C.—recalled.....	1707, 1744
Relis, Mrs. Matthew J., Congress of Women's Auxiliaries, United Public Workers, CIO.....	1297
Reynolds Quentin, president, National Council of Farmers Cooperatives and general manager of the Eastern States Farmers Exchange, West Springfield, Mass.....	1397
Siedel, Robert A., director, National Retail Dry Goods Association, Washington, D. C.....	1302
Slotkin, Samuel, chief executive officer, Hygrade Food Products Corp., New York, N. Y.....	1402
Small, John D., administrator, Civilian Production Administration, Washington, D. C.....	1438

Statement of—Continued

	Page
Smith A. A., first vice president, American National Livestock Association, Sterling, Colo.-----	1204
Smith, Patrick, J., attorney, Indianapolis, Ind.-----	1516
Vinson, Hon. Fred M., secretary of the Treasury, Washington, D. C.---	1551
Weymouth, C. E., president, Texas & Southwestern Cattle Raisers Association, Appearing for Joint Livestock Committee, Amarillo, Texas.-----	1222
Williams, S. Clay, chairman of the board of directors, R. J. Reynolds Tobacco Co., Winston-Salem, N. C.-----	1404
Wyatt, Wilson W., National Housing Administrator—Housing Expediter, Washington, D. C.-----	1579
Yungelas, William H., president of the Iowa Swine Producers Association-----	1220
Briefs, letters, statements, etc., submitted for the record:	
Allboro Retail Fruit Association, Inc., letter-----	1298
Amendments to the OPA, Gossett, Walcott, etc., submitted by Mr. Vinson-----	1557
Analysis of governmental expenditures for the fiscal year 1945, etc., table-----	1575
California Fruit Growers Exchange, letter to Hon. Bourke B. Hickenlooper-----	1549
Capper, Hon. Arthur, letter to Hon. Robert F. Wagner-----	1824
Cash receipts from and redemptions of savings bonds during 1946, table-----	1563
Committee on Agriculture, House of Representatives, resolution-----	1228
Congress of Women's Auxiliaries, letter-----	1297
Cost absorption as it affects the textile and garment industries, by Saul B. Sells-----	1772
Deputy Administrator for Rent, Ivan D. Carson:	
Statement on the testimony of J. S. Love, Jr., president of the Mississippi Hotel Association-----	1776
Statement with respect to the testimony of various witnesses before the Senate Banking and Currency Committee-----	1777
Eastern Meat Packers Association, Inc., resolution-----	1235
Eccles, Marriner S., statement before the House Banking and Currency Committee-----	1613
Elliott, E. Glenn, affidavit of-----	1525
Estimated decline in prices to the farmer for selected products after World War I-----	1554
Federal Register Order No. 4327, Sun-Ray Appliance Co-----	1333
Federal Register Order No. 4345, Jamaica Machine Co-----	1335
Flagg, J. T., prepared statement submitted to the committee-----	1320
Greenville livestock, item from the Greenville News, Greenville, S. C.---	1236
Grocery Manufacturers of America, Inc., letter-----	1297
House amendments, Congressional Record, April 17, 1946, submitted by Mr. Jules Backman-----	1650
Independent Petroleum Association of America, statement by Russell B. Brown-----	1250
Invoice before and after OPA regulations, exhibit 2-----	1387
Johnston, Eric, telegram to S. Clay Williams of the R. J. Reynolds Tobacco Co-----	1427
Joint Committee of Organized Auxiliaries, letter and telegram-----	1301
List of subsidies that have been terminated by OPA, etc-----	1559
Pickell, Mark, letters submitted-----	1162
Porter, Paul A.:	
Analysis of OPA information expenditures-----	1774
Analysis of Price Control bill passed by the House-----	1749
Comment with respect to testimony of the petroleum industry before the Senate Banking and Currency Committee-----	1763
Dairy problem, statement by the OPA-----	1766
Legal basis of cost absorption, statement by Administrator-----	1770
Letter to Mr. William L. Mallon, president, National Automobile Dealers Association-----	1757
OPA Administrator Paul Porter's letters to Hon. Robert F. Wagner-----	1745
OPA, letter to committee furnishing 1941 figure on production of goods-----	1709

Briefs, letters, statements, etc., submitted for the record—Continued

Porter, Paul A.—Continued

Statement of the Administrator regarding testimony of National Retail Dry Goods Association representatives, particularly with respect to pricing of lawn mowers.....	Page 1769
Statement of Administrator, regarding the pig-iron industry.....	1747
Statement on lumber pricing for the Senate Banking and Currency Committee.....	1764
Statement on the testimony by W. L. Mallon, president, National Automobile Dealers Association.....	1753
Supplementary statement by the OPA on MAP.....	1741
Maximum Price Regulation No. 188, opinion accompanying revised Order No. 3 under § 1499.159e.....	1324
Methods used by northern retailers in computing sales prices on a \$40 southern yellow pine item, etc.....	1395
National Association of Real Estate Boards, Chicago, Ill., proposed amendment to H. R. 6042, in the Senate.....	1195
National Automobile Dealers Association, additional data, etc.....	1273
National Distributors of General Merchandise, Butler Bros., invoices.....	1358
National Independent Meat Packers Association, letter to OPA.....	1247
New passenger-car sales, by States, 1941-45—New-car registrations and deliveries under rationing, table B.....	1270
New York Journal-American, item on drug crisis laid to OPA bungling, etc.....	1819
New York Journal-American, item on meat racket cuts vital drug supply.....	1818
Number of franchised passenger-car dealers, as of January 1 of each year, table A.....	1269
Office of Economic Stabilization, letter to Hon. Robert F. Wagner.....	1829
Office of the Secretary of the Treasury, tables.....	1578
OPA, document No. 54254, hand lawn mowers.....	1320
OPA, Food Enforcement Division, letter to Mr. LaRoe.....	1246
Paid employees in the executive branch in the continental United States on March 31, 1946, table.....	1577
Passenger-car registrations, table C.....	1271
Penalties imposed on the lumber dealers in the southern-pine area since August 11, 1943, exhibit 3.....	1392
Post VJ-day production of selected basic materials compared with production for 1941, table submitted by John D. Small.....	1466
Price increases on lumber since January 1945, table submitted by Mr. Wilson Wyatt.....	1600
Proposed amendment to Emergency Price Control Act of 1942, etc.....	1522
Scudder Grain & Live Stock Co., letter to Mr. Clinton P. Anderson.....	1348
Selected items short in the civilian economy, table submitted by Mr. John D. Small.....	1461
Sells, Saul B., Assistant Director, Consumer Goods Price Division, letter to Hon. Eugene D. Millikin.....	1771
Service Lumber Co., Inc., Rolling Fork, Miss., letter to Mr. H. R. Northrop, also tabulation.....	1391
Small Business Committee of the United States Senate, conclusions of recommendations, memorandum.....	1249
Stephens, Royal C., Netcong, N. J., letter to Senator Robert F. Wagner.....	1158
Strauss, Anna Lord, president, League of Women Voters, telegram.....	1159
The F. & N. Lawn Mower Co., Richmond, Ind., letters.....	1308, 1309, 1315
United States Department of Agriculture's figures showing number of cattle available.....	1233
Vickers Petroleum Co., letter and report to Hon. Arthur Capper.....	1824
Western States Meat Packers Association, statement by E. F. Forbes.....	1211
Williams, S. Clay, letter to Hon. Eric Johnston, president, United States Chamber of Commerce.....	1426

APPENDIX I

(Printed in order of their appearance)

	Page
National Association of Real Estate Boards, Calvin K. Snyder, secretary, letter.....	1835
Analysis of charts presented by Mr. Downs, on behalf of National Association of Real Estate Boards, etc.....	1835
Proposed amendment to H. R. 6042 in the Senate.....	1836
National Association of Real Estate Boards, Calvin K. Snyder, secretary, letter.....	1837
National Association of Manufacturers, Robert Wason, president, letter, supplementary statement and comment.....	1837
Porter, Paul A., Administrator, OPA, letter to committee with respect to premium-price plan.....	1839
United States Senate, Committee on the Judiciary, Homer Ferguson, letter with statement by Seddon L. Etherton, president of the Detroit and Michigan Property Owners Association.....	1841
Independent Petroleum Association of America, letter and enclosure.....	1853
American Hotel Association, letter.....	1858
OPA, Geoffrey Baker, Deputy Administrator for Price, letter.....	1859
OPA, Paul M. Green, Deputy Administrator for Accounting, letter.....	1860
National Association of Hosiery Manufacturers, Earl Constantine, letter.....	1861
National Automobile Dealers Association, W. L. Mallon, letter with additional data.....	1861
Mallon, W. L., president of the National Automobile Dealers Association, statement before the House Small Business Committee.....	1865
Carson, Ivan D., Deputy Administrator for Rent, statement on the eviction problem.....	1878
Oil-Heat Institute of America, Inc., letter and enclosures.....	1879
Livestock and Meat Industry, statement filed by Paul Porter, with the committee.....	1880
International Association of Garment Manufacturers, statement.....	1889
Sells, Saul B., Assistant Director, Consumer Goods Price Division, OPA, letter and data.....	1895
Extension of price control—Small business statement.....	1895
Moore, A. Harry, former Governor and United States Senator from New Jersey, representing various textile industries of the State, statement.....	1897
Bowles, Chester, letter to Hon. Robert F. Wagner, chairman.....	1901
Flanders, Ralph E., letter to Hon. Robert F. Wagner, chairman.....	1902
Monsanto Chemical Co., William M. Rand, president, letter.....	1911
Tufted Textile Manufacturers Association, R. Carter Pittman, president, letter and enclosure.....	1912
United Home Owners of Illinois, Sigmund J. Dryanski, president, resolution.....	1917
Committee investigated buying, selling, and handling of grains by CCC, etc.....	1918
Independent Petroleum Association of America, letter, also copy of letter to Hon. Robert F. Wagner in regard to testimony of Mr. Paul A. Porter.....	1919
American Rights Protective League, Inc., Pasadena 4, Calif., letter.....	1923
Morgenthau, Hon. Henry, Jr., former Secretary of the Treasury, text of his commentary over WMCA, Wednesday, April 24, 1946.....	1924
National Retail Furniture Association, Leo J. Heer, vice president, letter and enclosure.....	1926
Textile Fabrics Association, W. P. Fickett, president, letter and copy of resolution.....	1931
Better World Foundation Fellowship, Ruskin, Fla., statement of Henry J. Sutton.....	1932
Baker Ice Machine Co., Inc., statement of Sterling F. Smith.....	1933
Detroit & Michigan Property Owners Association, statement on rent control by Seddon L. Etherton.....	1934
Ramsey Sportswear Co., Inc., letter on percentage profit control.....	1936
Seaman, Clarence A., statement.....	1938
Hygrade Food Products Co., letter from Samuel Slotkin.....	1940
Allboro Retail Fruit Association, Inc., letter from Edward A. Hausman.....	1941
Pillsbury Mills, Inc., statement by Edward H. Mirick.....	1942

CONTENTS

VII

	Page
National Grain Trade Council of St. Louis, statement of Robert C. Woodworth.....	1944
Board of Trade of the city of Chicago, statement of Harry C. Schaack.....	1945
National Association of Commodity Exchanges and Allied Trades, Inc., statement by J. O. McClintock.....	1947
Robinson Milling Co., Salina, Kans., statement by Ed Morganstern, president.....	1951
Jay-Day Dress Co., statement by Jack Davis, president.....	1953
Retail Tobacco Dealers of America, Inc., letter by Eric Calamia.....	1958
People's Lobby, Inc., statement by Benjamin C. Marsh.....	1959
Grocery Manufacturers of America, Inc., letter by Paul S. Willis.....	1959
Interstate Printing Corp., letter by Osum Fort.....	1960
Seaboard Refining Co., Ltd., telegram.....	1961
Lowell, George, letter to Hon. Homer Ferguson, telegram and statement to the committee.....	1961
General Federation of Women's Clubs, letter.....	1966
National Electrical Manufacturers Association, telegram by R. L. White, president.....	1967
Eagle-Shawmut Mine, letter by George W. Clemson.....	1968
Caslin, M. C., telegram.....	1968
Hosiery Wholesalers National Association, Inc., letter by Leo Guzik to the committee.....	1969
Hosiery Wholesalers National Association, Inc., letter by Leo Guzik to OPA.....	1971
Baker, Geoffrey, deputy administrator for price, letter to Mr. Leo Guzik.....	1979
Institute of Boiler and Radiator Manufacturers, statement.....	1979
Blake, Dana P., letter to committee.....	1984
National Association for the Advancement of colored people, statement by Leslie S. Perry.....	1985
Landon Putty Works, two letters from C. J. Landen.....	1986

APPENDIX II

Statements submitted by industry in response to a letter by the Chairman of OPA Industry Advisory Committee, at the invitation of the Committee on Banking and Currency. (Printed in alphabetical order.).....	1989
--	------

1946 EXTENSION OF THE EMERGENCY PRICE CONTROL AND STABILIZATION ACTS OF 1942, AS AMENDED

THURSDAY, MAY 2, 1946

UNITED STATES SENATE,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C.

The committee met at 10 a. m., pursuant to adjournment on yesterday, in room 301 Senate Office Building, Senator Robert F. Wagner (chairman).

Present: Senators Wagner (chairman), Barkley, Bankhead, Murdock, McFarland, Taylor, Fulbright, Mitchell, Carville, Taft, Butler, Buck, Millikin, Hickenlooper, and Capehart.

Present also: Senator Moore.

The CHAIRMAN. The committee will come to order and on behalf of the committee I want to announce we have got to limit our hearings somewhat, because we must end this week end. So I hope those who are testifying will recognize that fact because we may have to limit them to not more than 20 minutes.

I received a telegram from a group known as Representatives of Businessmen for OPA Committee which I would like to read. This is a telegram to me [reading]:

NEW YORK 17, N. Y.

Representatives of Businessmen for OPA Committee would like right to testify before your Senate committee on retention of OPA without crippling amendments. Organization formed last June during similar crisis and dormant but not disbanded since. Is composed of large and small businessmen throughout country, including Donald Nelson, Spryos Skouras, R. S. Avery of Avery Adhesives, Clarence Avildsen of Republic Drill & Tool, Charles Duell of Duell Sloan & Pearce, Irving Geist of Joan Kenley Blouses. Please wire immediately when we can be heard and how much time we can have so we can notify the members who will testify.

BARRY BINGHAM,
Publisher, Louisville Courier Journal.

MORRIS ROSENTHAL,
Ex Vice President, Stein Hall Co.

WALLACE THORSEN,
Wallace Thorsen Organization Businessmen for OPA Committee.

STATEMENT OF PHILIP KORN, NATIONAL LEGISLATIVE CHAIRMAN, JEWISH WAR VETERANS OF THE UNITED STATES OF AMERICA, NEW YORK CITY

Mr. KORN. I am appearing on behalf of the Jewish War Veterans of the United States of America. As the oldest war veterans' organization in America, composed only of persons who served in the military or naval forces, second only to the G. A. R., we wish to lend the voices of all our posts and auxiliaries throughout the land in behalf of maintaining OPA without relaxation of its controls in any form.

The stability of our Nation's economy requires the retention of price controls. If we are to avoid inflation and keep prices within the reach of millions of veterans and their families, no relaxation of control can be permitted at this time.

The veterans of this war have survived a holocaust of death, the like of which no man has ever before seen. They have earned the right to the necessities of life; the right to be able to purchase such necessities without inflated prices. This cannot be accomplished unless price control is retained; unless prices are kept in check.

Congress bears the responsibility of seeing that millions of veterans are not relegated to the position of the forgotten hero, who after completion of his heroic task shall be subjected to the terror of inflation and the chaotic state sure to follow.

The veteran has the right to expect Congress to fulfill its obligation to him, his family and the community. This the Jewish War Veterans of the United States of America firmly believe can best be accomplished by retaining the OPA without modification of prices or relaxation of controls.

We strongly urge that you expend every effort to retain the OPA for the economic security of our country.

I also desire to submit for the record a statement from Mr. Royal C. Stephens of Netcong, N. J., suggesting certain amendments.

(The statement referred to is as follows:)

NETCONG, N. J., April 30, 1946.

SENATOR ROBERT F. WAGNER,
Chairman, Banking and Currency Committee,
Senate Office Building, Washington, D. C.

HONORABLE SIR: I urge that your committee now holding public hearing on the extension of the OPA law add the following amendments:

1. It is the legislative intent of the Members of Congress who are the elected representatives of the sovereign American citizens, that the OPA Administrator shall protect the constitutional rights of all American citizens by directing that all foreign-made goods or materials that are now sold in the United States, regardless of their cost, shall not be permitted to be sold for a higher price than the OPA Administrator allows the same kind of American-made goods to be sold for here in the United States.

The above amendment will then place the OPA official rulings in line with the fourteenth amendment of the Federal Constitution. The fourteenth amendment reads as follows:

"No State shall make or enforce any law which shall abridge the privileges or immunities of citizens of the United States; nor shall any State deprive any person of life, liberty, or property, without due process of law; nor deny to any person within its jurisdiction the equal protection of the laws."

Mr. Chairman, the policy of OPA Administration in refusing to place a price ceiling on foreign-made goods is clearly denying the equal protection of the laws of the United States to American citizens as the OPA Administration officials are required to do in their oath to uphold the fourteenth amendment to the Federal Constitution.

Now, Mr. Chairman, are there any foreign treaties that have been ratified by the United States Senate that require that foreign-made goods shall be permitted to be sold in the United States for any higher price than are American made goods allowed to be sold for here in the United States?

2. As a rider to the bill, the following:

It is the legislative intent of the Members of Congress that all profits shall be done away with for the duration of all future wars, in the following way:

A. The day war is declared all prices of goods and rents shall be pegged as they are on that day.

B. All wages shall be pegged as they are at that day.

C. All officials and employees in plants making war materials shall be paid the same rate of pay as a like rate of pay of those in the armed forces of the United States, as they are on that day.

D. The Federal Government shall pay for all war materials at the price of materials as they are on that day.

It is further legislative intent of the Members of Congress that this proposed rider to the bill shall remain the permanent law of the land.

Now, Mr. Chairman, as a long-time friend of Congress, I call your attention to the following benefits to both the taxpayers and the Members of Congress if you adopt the above-proposed rider to the bill.

Congress would be free from the necessity of spending hours of time in passing legislation to create at all future wars a Price Administration and a War Labor Board, free the Members of Congress from the need to raise taxes to run the boards, free the Members of Congress from the need to listen to Royal C. Stephens and other interested citizens on legislation regarding labor or price control, and above all, Congress would be underwriting a social security law that would go a long way to keep United States out of future wars.

Mr. Chairman, I am informed that since Congress had indicated they are going to relieve the American people from a lot of unfair rulings by the National Price Administration, just last week Mr. Louis H. Budd, Jr., OPA administrator of Sussex County Price Control Board since 1942, resigned his position effective within a week at the conference of OPA officials held at Newark, N. J., when Mr. Budd was told by the State OPA officials that under a new ruling he would be expected to produce a minimum of 15 docket cases every month. "Docket cases" is the OPA term used for violations. Mr. Budd informed that the national office "has selected a minimum of 15 docket cases per month as an arbitrary figure below which a board should not fall and still be able to justify its existence."

I now request your committee to subpoena Mr. Louis H. Budd, Jr., of 24 Church Street, Sussex County, N. J., who last week resigned as OPA administrator of the Sussex County Price Control Board which is located at Newton, N. J., and request him to tell your committee of some of the unfair and un-American and unconstitutional rulings of the National Price Administration, and at the same time request Mr. Paul Porter, OPA Administrator, and Mr. Chester Bowles, the former OPA Administrator, to be present and listen to Mr. Louis H. Budd reveal some practical information that will make them more efficient in handling OPA affairs.

In conclusion, I wish to submit for the record a letter from Mr. Harold B Simmons, a Democratic justice of the peace, and a veteran of World War No. I from Bryam Township, Sussex County, N. J., to the Newark Evening News under the date of Saturday, April 27, 1946, that expresses the feelings of the American citizens of Sussex County over Mr. Louis H. Budd resigning as administrator of the price control board of Sussex County, N. J.

Very truly yours,

ROYAL C. STEPHENS.

Netcong, N. J.

I would like also to include two telegrams in regard to this matter.

Senator ROBERT F. WAGNER,
Chairman, Senate Committee on Banking and Currency,
Senate Office Building, Washington, D. C.:

The national board of the League of Women Voters at its meeting here today voted unanimously to urge your committee in the interest of the welfare of the Nation to report out constructive legislation extending the Price Control Act for 1 year without the extremely dangerous amendments passed by the House. We shall appreciate your bringing our position to the attention of the committee.

ANNA LORD STRAUSS, *President.*

HON. CLAUDE PEPPER,
Senate Office Building, Washington, D. C.:

OPA should be specifically prohibited from controlling or limiting rents on FHA financed war housing projects which are or have been in distress as result of less than 75 percent occupancy or foreclosure and which are not in critical areas. Urge amendment to any extension of OPA authority. Please refer to Senate committee or joint committee. Regards.

BROWN WHATLEY.

The CHAIRMAN. Now we will proceed with Mr. Pickell.

STATEMENT OF MARK W. PICKELL, SECRETARY, CORN BELT LIVESTOCK FEEDERS ASSOCIATION, NAPERVILLE, ILL.

Mr. PICKELL. I am Mark W. Pickell. I live at Naperville, Ill., 31 miles west of Chicago, and feed out about 60 head of cattle and 150 head of hogs annually. My office is in Chicago where I am executive vice president of the Illinois Cattle Feeders Association and secretary of the Corn Belt Livestock Feeders Association.

The Corn Belt Livestock Feeders Association was formed by the T-Bone Club of Colorado, the Nebraska Livestock Feeders Association, the Kansas Livestock Association, the Missouri Livestock Association, the Iowa Beef Producers Association, the Illinois Cattle Feeders Association, the Michigan Cattle Feeders Association, the Indiana Cattle Feeders Association, and the Western Ohio Livestock Feeders Association.

I have put around at your desks a little booklet showing our position and the names of the organizations forming the Corn Belt Livestock Feeders Association are given there on the flyleaf of page 2.

We are the feeders' organization from Colorado through to Ohio.

I would like the first thing this morning to give you just by some letters and telegrams some of the views of the men on the feeding of livestock. Here is one from Mr. Warren H. Monfort, president of the T-Bone Club of Colorado, a man who feeds about 15,000 head of cattle a year. He says [reading]:

The mess we predicted when there is fast getting worse, from here it looks hopeless, but maybe the Senate has more in sight than I dare hope. Should the dry weather continue a while longer we could face the gravest situation this country has ever had. The black markets could not possibly be controlled. Two more weeks and beef in this country will nearly all be gone. I sometimes feel that to have tried and lost will be the best thing that can happen to us, for I believe we are on the edge of a national calamity as for food and whoever sins will be blamed for the disaster.

WARREN H. MONFORT.

Here is a letter from Horace L. Witty, of Pleasant Plains, Ill., which is just west of Springfield. I have never gone down there in normal years but what I have seen at least 15,000 head of cattle in the dry lots. It is one of the biggest cattle feeding sections in the State of Illinois. He says [reading]:

I normally feed about 1,500 cattle each year, but due to OPA regulations and ceiling subsidies and all other restrictions I have been forced to discontinue my feeding.

I have no cattle on feed at present; do not expect to put any in lots as long as we have ceilings on them. I hope that you can impress on the Senate the importance of removing all subsidies and ceilings as soon as possible and let production be resumed on more normal basis.

Here is a telegram from Robert Munderloh, president of the Nebraska Cattle Feeders Association of Beemer, Nebr. He says [reading]:

We are still opposed to OPA on livestock, subsidies and ceilings, and are also opposed to the Government going into the black market on corn.

Here is one from a gentleman, I suppose he is about the average age of you gentlemen, he lives at Macomb, Ill., a very substantial citizen out there in a big cattle-feeding district. His name is H. G. Sperry. He says [reading]:

I am a farmer and cattle feeder, as a rule feeding 300 to 500 head but am now down to 200, and when they are gone I will quit unless OPA quits subsidies and ceilings; then there might be a chance to break even if no better.

Now the Government has gone to buying corn.

I have fed cattle and hogs all my life, but am going to quit until OPA quits trying to run my business.

Here is one that brings up a point—it is from a feeder at Stronghurst, Ill. That is out in the western part of the State, quite a heavy cattle-feeding section. He says [reading]:

I have another reason why I would like to stay in the livestock feeding game besides the many most people mention. To handle my farm work right I need from six to nine first-class farm workers. In order to get good men I have to offer them a year-around job, and I can't use year-around men unless I feed a lot of stock. There is just no other way for these men to pay their way. I have spent thousands of dollars on the best equipment I could get and now can't afford to turn it over to poor men.

It stands to reason that nobody will work a few months on a farm if he can get a good job for the full year in town. The OPA is forcing good men off the farms and into town at a time when production of all kinds of food is so important.

A good farmer can produce 10 percent to 50 percent more than a poor one, so let's keep these good men on farms—by knocking out the OPA and letting livestock men go full speed ahead.

If OPA is extended in its present form, I guarantee to have my feed lots empty before July 1.

Very truly,

EVANS FARMS,
By MARION EVANS,
Operator.

Here is one showing the effect of the present corn order. This is from Bernard Crofton in Milledgeville, Ill., up in the northwest part of the State of Illinois. He says [reading]:

I am feeding 100 head of cattle now and do not have enough corn, and Government price control makes it impossible now to buy more and my cattle will not be fat enough when what I have is gone to sell much above cost of cattle.

I do not intend to buy any more unless the OPA is abolished and I can once more run my own business instead of Washington's OPA.

Here is another from Milledgeville. It says:

When you go before the Senate committee tell them we farmers are waiting on them so as to know whether to breed any sows for fall. Twenty-five sows I have to farrow the last of May will go to the market if they do not take off the subsidies and ceilings.

This corn deal was the last straw, and anyone in the livestock feeding business is in a pretty tough spot.

There have been quite a few cattle go already on that account.

I sure hope the Senate will get behind the House and do away with all price ceilings and subsidies as of June 30, 1946, so the farmer and livestock men can go out and produce enough so people can buy our products.

So, thanking you again for your efforts in this fight,

I am,

Yours very truly,

ELMER N. BUFFINGTON.

P. S. It looks like the Lord is waiting to see what the Senate does with OPA before He lets it rain. After all, He is the only one they are not trying to rule, or are they?

Here is one from C. G. Mahrle, president of the Michigan Cattle Feeders Association, Marshall, Mich. This is a telegram which reads:

Michigan cattle feeders request removal of subsidies and ceiling. No compromise.

Here is one from the president of the Kansas Livestock Association, Mr. Wayne Rogler of Matfield Green, Kans. He says [reading]:

In your appearance before the Senate Banking and Currency Committee on May 1, urge the importance of adopting the Flannagan and the Gossett amendments to the OPA bill.

The Kansas Livestock Association at their meeting at Wichita March 15, 1946, resolved that price control and subsidy programs on livestock and meats be allowed to expire on June 30, 1946.

With meat production on a level far above prewar average and with purchasing power so high the further use of subsidies to hold down living costs, financed by deficit governmental spending can no longer be justified.

Practically all of the livestock producers in this State are agreed on the above. I am sure many will write you.

Here is another from Pleasant Plains, Ill. I want to impress that because it is such a big cattle-feeding area. This is from Emory Purvines. They have a ranch down in Texas and bring their cattle up to Illinois to feed them out. He says [reading]:

If the Senate will only take similar action to the House of Representatives, feel that it won't be long until I can again be safe in feeding livestock. Know that the feeders of this community feel the same, as none of them have any cattle on feed at present.

Here is one from the President of the Brown Swiss Cattle Breeders' Association of Beloit, Wis. [reading]:

It is gratifying to me and many other livestock feeders in my locality that there is great probability the subsidies and ceilings on cattle and hogs will be lifted by July.

I feel sure that most of the Senators know how important it is to the farmer to have these removed, and will approve the action taken by the House of Representatives.

Yours very truly,

J. W. OVITZ, M. D.

I have a number of other letters. I would like to have them put into the record, if I may, just for your information. It will shorten things up very much.

The CHAIRMAN. All right.

(The letters are as follows:)

DEKALB HYBRID SEED CORN,
Rockford, Ill., April 25, 1946.

MARK PICKELL,
Chicago, Ill.

DEAR SIR: There has been a new feeling of optimism sweeping through the country among the livestock and grain men since the passage of the amendment to the OPA bill doing away with the ceilings on agricultural products.

Everyone is hoping the Senate will do likewise.

I tremble to think what will happen to the food supply in this country if the OPA is reinstated like it was.

As long as the country and world is so short of food and supplies, why don't they give us a chance to see what we can do in the form of production? A lot of farmers are talking of seeding their farms down and waiting to see what happens. Do all you can down there.

Yours truly,

CLINT GLENNY.

L. L. JONES & SON,
One Mile West of Holcomb, Kans., April 28, 1946.

Mr. MARK W. PICKELL,
Secretary, Illinois Cattle Feeders Association,
Washington, D. C.

DEAR MR. PICKELL: We as cattle producers and feeders in this section are highly pleased with House action on the meat ceiling subsidy bill.

If the Senate will approve the action of the House it will bring an end to this black market and one of the most disgraceful things that ever happened to the livestock industry.

Yours very truly,

L. L. JONES.

LELAND, ILL., *April 25, 1946.*

MR. MARK PICKELL,
Chicago, Ill.

DEAR SIR: Now that the war has been over for some time I think that the subsidies of meat and price ceilings should be removed.

With the price of all feeds and farm labor what they are we will have to have better prices to get production of meat that is needed. I don't think there ever was a time when the consumer was as able to pay all of the cost of the meat he buys as he is today.

Am shipping 26 unfinished hogs for Monday's market as it doesn't pay me to finish them.

Yours truly,

FREMONT C. FARLEY.

MILLEDGVILLE, ILL., *April 18, 1946.*

ILLINOIS CATTLE FEEDERS ASSOCIATION,
Chicago 3, Ill.

DEAR SIR: I strongly urge that all price controls be ended on all livestock. Until this is done very few can or will expand livestock numbers. Most all farmers in this section of the country will not increase stock until controls are ended.

Again I say, end controls and the farmers will put meat back in the meat counters.

Yours truly,

HOWARD J. STOVER.

GOODLAND, KANS, *April 26, 1946.*

MR. MARK W. PICKELL,
*Secretary, Illinois Cattle Feeders Association,
Washington, D. C.*

DEAR MR. PICKELL: Being a livestock man and affected by ceilings and subsidies, I wish you would use your influence and urge the Senate to approve the House action on ceilings and meat subsidies.

It affects us greatly, and I urge this with all sincerity.

Yours very truly,

FAY K. PARNELL, *Cattleman.*

ILLINOIS CATTLE FEEDERS ASSOCIATION,
April 25, 1946.

DEAR MARK: I note that you and Beach made the "lines" yesterday in the Tribune. Sock 'em hard next Monday, and if you get tough, so much the better.

Tell 'em of the 3-cattle roll-backs and how again this week with famine receipts of livestock the market broke 50 to 75 cents up to last night. I think Uncle Sam muddled things up again.

I enclose the Senator's speech. I had a nice letter from Brooks, but no word from Lucas.

With best wishes,

CHAUNCEY.

MARK W. PICKELL,
Washington, D. C.

DEAR SIR: I note that you are to appear before a Senate committee hearing next Wednesday, at which time the subject of livestock subsidies and price ceilings will be discussed.

I want to take this opportunity to advise you that it is my opinion, as well as that of every interested person with whom I have discussed the subject in the

past 30 days, that subsidies are a total loss to the Government in that they only serve to increase the national debt, and that present price ceilings have been proved unworkable in that they are forcing creation of a black market that is breeding contempt for law and order as well as being hard on both the legitimate producer and consumers all over this Nation.

Yours very truly,

W. P. BILLAU
(Of Steed & Billau).

FIRST NATIONAL BANK OF DODGE CITY,
Dodge City, Kans., April 26, 1946.

Mr. MARK W. PICKELL,
*Secretary, Illinois Cattle Feeders Association,
Washington, D. C.*

DEAR MR. PICKELL: We understand a Senate committee is having a hearing relating to ceilings and subsidies on cattle.

It is our opinion that in the long run it would be to the best interest of the country if the ceilings and subsidies were abolished.

Very truly yours,

GEO. B. DUGAN, *President.*

COTTONWOOD FALLS, KANS., *April 25, 1946.*

MARK W. PICKELL,
Secretary, Washington, D. C.

DEAR MR. PICKELL: We Chase County cattlemen approve heartily the action of the United States House of Representatives in passing bill to remove subsidies on cattle and increasing ceilings.

We hope it will become a law. Kans-Flint hill pastures are the best at this time of year we ever saw them.

Yours truly,

G. M. MILLER & SON.

GOODLAND, KANS., *April 26, 1946.*

Mr. MARK W. PICKELL,
*Secretary, Illinois Cattle Feeders Association,
Washington, D. C.*

DEAR MR. PICKELL: We wish to join you in having the Senate approve the House action on ceiling and meat subsidies, as it is of vital interest to us live-stock people, and we thank you for your efforts.

Yours very truly,

H. R. SHINNEALL, *Cattleman.*

TRUSLER-BEHYMER GRAIN CO.,
Emporia, Kans., April 26, 1946.

Mr. MARK W. PICKELL,
*Secretary, Illinois Cattle Feeders Association,
Washington, D. C.*

DEAR SIR: As we operate considerable land on which we feed cattle we are writing you to add our voice to the almost unanimous opinion of the Kansas cattle feeders.

We want subsidies and restrictions removed from the cattle industry as rapidly as possible. Whether it helps or hurts the cattle industry it is still the honest thing to do.

Very truly yours,

TRUSLER-BEHYMER GRAIN CO.,
H. P. TRUSLER.

STATE OF KANSAS HOUSE OF REPRESENTATIVES

Topeka, Kans.

MR. MARK W. PICKELL,
Secretary, Illinois Cattle Feeders Association,
Washington, D. C.:

I think that the Flannagan amendment to the OPA bill is very essential, and should be passed by the Senate, as amended.

It appears to me that price controls only increase inflation at this time, as it is slowing up production.

If subsidies are left on cattle and removed when we get enough production to meet the demand, I firmly believe it would be disastrous to all cattlemen.

The Gossett amendment should also be passed so production could increase to the point it would stop all black markets.

Very truly yours,

E. C. CROFOOT.

GOODLAND, KANS., *April 26, 1946.*

MR. MARK W. PICKELL,
Secretary, Illinois Cattle Feeders Association,
Washington, D. C.

DEAR MR. PICKELL: Being a cattle raiser and dealer in livestock of all kinds, it is my wish that you use your influence to have the Senate approve the House action on meat subsidies and ceilings.

Very truly yours,

A. TAYLOR, *Cattleman.*

THE FIRST NATIONAL BANK,
Goodland, Kans., April 25, 1946.

MR. MARK W. PICKELL,
Secretary, Illinois Cattle Feeders Association,
Washington, D. C.

DEAR MR. PICKELL: It is the desire of cattlemen and feeders in this country here that the Senate approve the House action on meat subsidies and ceilings, and it is my desire that you present these facts to the proper authorities in the Senate, stating our position.

Yours very truly,

R. F. BROCK, *Cattleman.*

GOODLAND, KANS., *April 26, 1946.*

MR. MARK W. PICKELL,
Secretary, Illinois Cattle Feeders Association,
Washington, D. C.

DEAR MR. PICKELL: Being a cattle raiser and dealer in livestock of all kinds, it is my wish that you use your influence to have the Senate approve the House action on meat subsidies and ceilings.

Very truly yours,

FRED KOHLER, JR., *Cattleman.*

LAMARK, ILL., *April 25, 1946.*

MARK W. PICKELL.

DEAR SIR: I am writing you in regard to the removal of ceilings on livestock. Since April 18, 1946, a feeling of optimism has been sweeping the livestock feeding sections of the Corn Belt, since the House acted as it did. The livestock feeders feel that before long they will be given an opportunity to produce meat for the tables again.

Yours truly,

WALLACE WARE,
Secretary, Carroll County.

FLOYD'S MARKET,
Sedan, Kans., April 27, 1946.

MR. MARK PICKELL,
Washington, D. C.

DEAR SIR: Present OPA regulations are putting us out of the meat business. General sentiment here with those who understand favor removal of subsidies and price control on livestock and meat.

We see cattle on a thousand hills in this country and surely some way must be found to get these to the consumers without resorting to a black market to furnish meat.

Good luck to you, we are for you.

A. J. FLOYD,
D. D. FLOYD,
LEONARD T. FRAWFORD.

POTOMAC, ILL., April 27, 1946.

DEAR SIR: We want subsidies and ceilings removed.
Very truly yours,

ROSS A. BOWERS.

GARDEN CITY, KANS., April 28, 1946.

MR. MARK W. PICKELL,
Secretary, Illinois Cattle Feeders Association,
Washington, D. C.

DEAR MR. PICKELL: The action taken by the House of Representatives in regard to elimination of beef subsidies and ceilings is heartily concurred in by myself, and other stockmen of this community with whom I come in contact, and I sincerely believe it to be a necessary action for the good of the industry and the consumer.

Your good offices in behalf of approval by the United States Senate is solicited.
Very truly yours,

R. G. WALTERS.

EARLVILLE, ILL., April 26, 1946.

ILLINOIS CATTLE FEEDER ASSOCIATION,
Chicago 3, Ill.

DEAR SIR: Have been following your progress in the attempt to remove subsidies and ceilings. Greatly appreciate your efforts but the results needed are the removal completely of subsidies and ceilings so that farmers will feel safe to go forth in this all-out food production.

Farmers cannot afford to run the risk and we feel the Government should make it safe for us to go ahead.

Best of luck in your efforts, I am
Cordially yours,

WM. WETZEL, Sr.

ROCK FALLS, ILL., April 27, 1946.

MARK W. PICKELL,
Vice President, Cattle Feeders Association.

DEAR SIR: Received your letter of April 23 and I am very much in favor of ceilings being removed on livestock.

As far as I can see in my neighborhood since raise in price of corn farmers are marketing pigs light and light cattle going to market. I pity the meat situation in 6 months.

Respectfully,

A. A. HORMES.

MILLEDGEVILLE, ILL., April 26, 1946.

MR. MARK W. PICKELL,
Executive Vice President.

DEAR MR. PICKELL: I want you to do all you can, and kill the OPA on cattle, hogs, sheep, and grain and meat and no subsidies.

Yours truly,

E. S. WAGNER.

GREENFIELD, ILL., *April 27, 1946.*

MARK W. PICKELL,
Secretary, Illinois Cattle Feeders Association.

DEAR SIR: Received letter from Illinois Cattle Feeders Association April 26, 1946, and after reading it am very glad to see the progress you are making. We feel that if the OPA don't take off the price ceiling or get them high enough to insure a profit on livestock and grain, farmers are all getting damn tired of this price setting every few days, so you don't know what he (farmer) is doing. And all farmers in this section are cutting down on production.

I feel that subsidies should be removed from all livestock and grain.

The subsidies should also be taken away from the meat packers and let them buy on the open market at a price so he can resell the meats.

Yours truly,

GEO. B. PRANGER & Sons,
By MARTIN F. PRANGER,
Member of firm.

LANARK, ILL., *April 26, 1946.*

DEAR SIR: In answer to your letter of April 23 will say I have been in the cattle feeding business for 30 years and never got in such a mess as now. Corn price raised and feeders high, but a ceiling on fat cattle.

Hoping you have grand success,

Yours truly,

FRED GUENZLER.

PLEASANT PLAINS, ILL., *April 27, 1946.*

MARK W. PICKELL,
Executive Vice President

KIND SIR: I understand you are going to meet with the Senate next week, to see if they will do something about this cattle muddle. It has just about put us out of the cattle business, and for the sake of the consumers, as well as ourselves, I feel there should be a removal of all ceilings and subsidies on cattle.

Wishing you the best of luck, I remain,

Yours truly,

WILLIAM S. MILES.

ROODHOUSE, ILL., *April 26, 1946.*

MARK W. PICKELL,
*Executive vice-president, Illinois Cattle Feeders Association,
Chicago, Ill.*

DEAR MARK: It is gratifying to hear of the recent House of Representatives' action on the continuation of subsidies and price control. Perhaps I should have waited to pass judgment on our legislators in regard to their knowledge of economics. I had come to the conclusion that they knew very little about economics and didn't seem to care whether they ever learned anything about supply and demand and the function of money. However, that is neither here nor there, the main point is that the House has made a great stride back toward true democracy and our past system of economics that has given the people of the United States the highest standard of living in the world. With continued control of business by bureaucrats, we will have further decreases in efficiency, hence, lower and lower standard of living. Simple, isn't it?

My neighboring feeders made this comment the other day:

"We feeders can bring supply up to demand with a supply-demand basis functioning because we understand the rules of the game played that way; otherwise, OPA can have corn on the cob until it runs out their ears; and the public can continue to have ample supplies of cheap nothing."

I know that the feeders all feel the same way about it and hope the Senate will back up the action of the House of Representatives. It is time all good men came to the aid of their parties and took strong action against continuation of bureaucrats and socialistic trends in our Government. All we ask for is the opportunity to stand on our own two feet.

Very truly yours,

W. M. GILMORE.

ROCKFORD, ILL., *April 27, 1946.*

Mr. MARK W. PICKELL,
Executive Vice President, Illinois Cattle Feeders Association,
Chicago, Ill.

DEAR MR. PICKELL: In view of the meat and livestock situation, my neighbors and myself urge you to carry on the emphatic protest against the OPA.

During the war, farm production was held at maximum capacity against many odds. Margins have kept narrowing with the present ceiling prices. Now with corn prices hiked 30 cents and ceiling prices held on cattle, it seems it will become necessary for me to liquidate my livestock into other than normal channels.

Please remember that corn I am planning to plant will not under normal conditions make beef until 18 months hence.

With feeder cattle selling this week for \$17.65 on the Kansas City market it will be impossible to continue feeding cattle. Father before me and I have engaged in cattle feeding on the same farm for over 60 years. Kindly convey this thought to members of the Banking and Currency Committee of the Senate for their kind consideration.

Cordially yours,

RALPH R. FROEHLICK.

ROCKFORD, ILL., *April 27, 1946.*

Mr. MARK W. PICKELL,
Chicago 3, Ill.

DEAR SIR: I would like to congratulate you and your committee selected at Omaha for the results that you obtained before the Agricultural House Committee under the leadership of John Flanagan in the fight that is in vital interest to all of us livestock producers and feeders.

I hope the same results may be obtained in the Senate Agricultural Committee under the leadership of Senator Elmer Thomas and Senator Butler.

I congratulate you and your committee on the results you are obtaining in the House and feel confident you will obtain the same in the Senate under the leadership of men that will use common sense for the good of all.

Very respectfully,

GEORGE W. BROWN,
Member of the Corn Belt Feeders Association.

SEDAN, KANS., *April 30, 1946.*

MARK PICKELL,
Washington, D. C.:

Done lot of driving, talked to a lot of people in Kansas past 3 weeks; when people know the facts about black market conditions they want all subsidies and price control removed on cattle and beef. Hope Senate will approve House action.

CAL FORD.

SANDWICH, ILL., *April 26, 1946.*

Mr. MARK W. PICKELL,
Illinois Cattle Feeders Association,
Chicago, Ill.:

Enclosed find a check for \$5 to help cover expenses for our fight for better prices.

I'm so disgusted and mad so I do not know what to say, just the other day I sold my cattle with a \$100 loss on the load because of OPA bungling with ceilings and corn prices.

Don't say us farmers are not on strike, because we are. Right around here we have cut down half on hogs, and they will not be back Monday morning, maybe a year from now. And cattle, well the price have to be better after they are finish or we are not buying any this fall. We lost enough money this year on them. If the corn had not been soft we would not have any either, but now the corn are feeding and we got to take the price the packer will see fit to give, to be safe from OPA not coming back at them.

The best of luck in your trip to Washington.

Yours truly,

BEN MATTSON.

FANCY PRAIRIE, ILL., April 27, 1946.

Mr. MARK W. PICKELL,
Chicago, Ill.

DEAR SIR: I was surely glad that the House acted as it did, for it makes me feel that ceilings and subsidies are on their way out. Certainly the cattle feeders cannot operate under existing conditions. Therefore in order to assure adequate supply of meat all controls will have to be taken off the cattle industry.

Yours respectfully,

ROBERT E. COUNCIL.

ROCKFORD, ILL.

MARK W. PICKELL,
Illinois Cattle Feeders Association.

DEAR SIR: Since the House of Representatives has acted as it did in removing ceilings and subsidies from the OPA on grain and livestock, I feel greatly encouraged about feeding stock for the market.

Before price controls, ceilings and subsidies, several droves of cattle were fed in this neighborhood every year. Now mine are the only cattle on feed in this side of the county.

Since April 18 I have taken new hope that I may be able to increase my operations.

Last Sunday, two men called and asked for a "few cattle for my store. My customers are calling for meat and the packer salesmen have none to sell."

This is a deplorable state of affairs when common people are forced to go outside the regular channels of trade to secure meat for their tables.

I sincerely hope that the Senate will uphold the House in removing ceilings, subsidies, and all price controls from livestock and grain so that we may produce and the working people may have meat on their tables again.

Sincerely yours,

GEORGE R. BROWN.

GARDEN CITY, KANS., April 28, 1946.

Mr. MARK W. PICKELL,
*Secretary Illinois Cattle Feeders Association,
Washington, D. C.*

DEAR SIR: I am writing to urge the passage of the bill before the Senate to remove all livestock subsidies. We in Kansas believe this is imperative to further the best interests of the livestock industry.

Yours truly,

O. C. HICKS.

SCOTT CITY, KANS., April 28, 1946.

Mr. MARK W. PICKELL,
Washington, D. C.

DEAR SIR: I note the House has passed the ceiling and subsidy bill. If the Senate will just O. K. the House action I am sure it will straighten out this damnable black market that seems to exist all over the country.

If this is done I believe the cattle business will soon get back on a sound basis, and we will know better how to proceed with our business.

Yours very truly,

HENRY C. KIRK.

KENDALL, KANS., April 27, 1946.

Mr. MARK W. PICKELL,
*Secretary, Illinois Cattle Feeders,
Washington, D. C.*

DEAR SIR: I was glad to see the action taken by the House on the ceiling and subsidy thing. From what I know about the opinion of the cattle operators in this part of the country I am sure a very large majority of them feel as I do about this matter.

We surely hope the Senate will see fit to approve the action of the House. If they do I believe the meat deal will soon right itself. Good cattle may go up for a while but I venture to say that in 8 months the market will adjust itself

satisfactorily. This would bring an end to the black market in meat which is growing by leaps and bounds.

We are hoping for success in the matter. I am
Yours very truly,

JOE BURNETT.

PLAINFIELD, ILL., *April 27, 1946.*

ILLINOIS CATTLE FEEDERS ASSOCIATION,
Chicago, Ill.

DEAR SIR: Here is a short letter of thanks for the fine work you have done in presenting facts and the livestock feeders' views to the House of Representatives. Please thank the Congressman who helped pass the amendment to the OPA extension bill that will eliminate ceilings on hogs, cattle, wheat, corn, and oats.

I have some cattle on feed at present. I have had several different local buyers try to buy them during the past week, usually offering to pay me the subsidy which I have coming if I sell through the yards.

No farmer in my community is in favor of Congress continuing subsidies on livestock beyond July 1, 1946, or on meats either. It just makes things worse in trying to plan production.

If you can give the Senators the truth about livestock feeding as well as you did the Congressmen I am sure they will pass the bill like our Congressmen did. It is to the consumers' advantage as well as the producer, for if OPA continues as it has the past year, not 1 animal in 10 will sell in the legitimate market.

Very truly yours,

EDWARD J. CLOW.

PLEASANT PLAINS, ILL., *April 26, 1946.*

MARK W. PICKELL,
Executive Vice President, Illinois Cattle Feeders Association.

DEAR MARK: Just a word of appreciation for the good work you and your worthy colleagues have done and are still doing for the cattle industry.

Unless there are many changes made, we in the cattle-feeding belt will be compelled to entirely eliminate our feeding operations. At present we are completely out of cattle.

I am 100 percent in accord with the late action of the House of Representatives and sincerely hope the Senate will concur in their efforts to throttle the "power drunken" actions of the no longer needed OPA.

Unless we midwestern feeders can start operating again soon, beef on the average American dinner table will be a thing of the past.

Wishing you much strength, patience, and success in your next trip to Washington, I am

Yours truly,

GEORGE E. WITTY.

P. S. Accept this little token to help the cause along.

BUCKLIN, KANS., *April 27, 1946.*

Mr. MARK W. PICKELL,
Secretary, Illinois Cattle Feeders Association,
Washington, D. C.

DEAR MR. PICKELL: We understand that you are in Washington to appear before the Senate committee that is considering livestock subsidies and ceiling prices.

For a period of several years we have been extensive farmers and cattle raisers, handling both cow herds and steers.

We are very much opposed to subsidies, for subsidies in the long run only add to our national debt, livestock ceilings are causing black markets and breeding contempt, we would much prefer to let supply and demand regulate this industry.

Yours very truly,

H. P. McCAUSTLAND.
GEORGE H. McCAUSTLAND.

CHADWICK, ILL., April 27, 1946.

MR. MARK W. PICKELL,
Chicago, Ill.

DEAR SIR: Received your letter and was glad to hear that there is hope of throwing the subsidies and price control out.

It is high time this was done so that us feeders would know where we were at. I have 147 steer calves on feed and with this boost in the price of corn and at present prices am losing money every day.

I was elected chairman of the Carroll County Feeders Association and am very anxious to see price control removed.

Enclosed a clipping by Merryle Rukeyser on OPA that I think is very good.

Hoping that your trip to Washington will bear fruit and wishing you good luck, I am

Yours very truly,

J. CLAYTON KAUL.

LUCAS, KANS., April 25, 1946.

MR. MARK PICKELL,
Secretary, Illinois Cattle Feeders Association,
Washington, D. C.

DEAR MR. PICKELL: At the request of the officers of the Kansas Livestock Association I am directing this letter to you in interests of the livestock industry and the present fight that is going on by the Senate, whereby either they will approve the House action on meat subsidies and ceilings or will alter it again.

First of all I wish to explain the copies of the two letters enclosed herewith, the one is a letter that I wrote to President Roosevelt almost 3 years ago, giving him facts that existed at that time, which of course was during the war, but many of them will still apply, especially that the Government let the livestock industry alone and let supply and demand govern our free competitive markets, that the longer OPA messed with this big industry the worse it would get and it now has proven out just as I stated to him in the letter, also I have enclosed a copy of the letter I received by Arval Erikson, who was head of the Meat Pricing Department of the OPA at that time and to the best of my knowledge, still is, as you can readily see, he sent me a very crude letter only explaining what they thought, I have met Mr. Erikson personally, several times, once when I was called back to Washington and at Kansas City at a hearing, also I believe in Chicago, he is a nice appearing young man, but he needs to get actual feed-lot experience, what he needs is to get some good old manure on his boots, instead of taking a pencil and charts to show the livestock industry what to do, every time that the OPA called us in and we thought that we could discuss with them the future of the livestock industry, we found that the ball game already had been played and the umpires had made their decisions, when any of us would even as much as suggest a very constructive move to the better, we repeatedly were told that they could not change their program, since it had already been previously set up by them and could not be altered or it would destroy the whole thing, that is still the same argument they are using today, that the way Congress sent the bill to the Senate would bring ruination to them.

I wonder if they have ever given it a thought, that they have almost ruined the meat situation all over the United States, all during the war, it was messed up, we could have had all the meat we wanted and needed at all times if left alone, now the war has been over almost a year, we have more cattle in the country than ever, but they still have it messed up with ceilings and subsidies that consumers are not getting enough meat, every move they have made has proven wrong, so I think it is high time for the livestock industry to take the bull by the horns, explain to the Senate, that instead of trying to smooth over the House action, they should make it such as to lessen the power some more for the bureaucrats.

Just why has Chester Bowles in his talks over the radio not explained to Mr. and Mrs. America that the subsidy they are paying is hidden in each and every purchase sales ticket and that in order to get the billions back he is spending of their tax money, that for at least 50 more years they will always have their grocery and meat bill added on until such time that these billions are paid back, that with the increase in wages and the funds they have they had better pay their bills now, but no, he and Mr. Porter are telling the public what a "bang up" job they have done. Well, if they have done such a terrific job, just why, after the war is over, are they complaining about the pressure of inflation, what have they been doing with it for the last number of years, of what good is it to have meat

prices at 1/ per pound but no meat is available? Would it not be better to raise meat 5 or 10 cents per pound and then if folks want it, they are able to get it.

Just ask the housewife those questions, take a vote on the above issue and you will find that they do not want ceilings, price control, or subsidies, but want meat. We do not want high prices and they will not go too high, they can never go as high as some of the boys are paying in the District of Columbia under the black market. Who made the black market? The OPA, the one and only. I do not have to explain how and why; they know.

If they would come out and tell the truth, that all they are really interested in is their job and the salary they get, along with some prestige, instead of that "old hooley" that they are only interested for the welfare of the public.

In closing I wish to state that we have gotten ourselves in a very bad situation, also our lawmakers have lost the issue for what they are supposed to do, if and when, those that are only appointed to a position in Washington, D. C. and never were elected, their name never did appear on a ballot, can tell and try and force 130,000,000 people what to do, including the President, Congress, and Senate, we are living in a sad United States of America when the bureaucrats and labor racketeers can do this. So let us get rid of subsidies and all price controls, especially as far as the livestock is concerned, let the livestock industry try again for 6 months at least to run their own business and see if or not meat will be available at not a high price but at a decent figure, if they cannot get it done by that time, they can turn it back to the boys now in charge. We are getting darn tired of even paying taxes for the thousands drawing salaries. Let them get themselves a decent job, one that the world would be proud of them.

Respectfully,

KANSAS LIVESTOCK ASSOCIATION,
FRED W. HEINE, *Rancher and Vice President.*

JULY 1, 1943.

HON. FRANKLIN D. ROOSEVELT,
President of the United States, Washington, D. C.
(Personal attention.)

DEAR PRESIDENT: I have been repeatedly asked by the farmers and livestock men of this community if anything could not be done in regards the situation that now exists for the producer and feeder of livestock, they ask why I do not write our Congressman or Senator, but I felt it much better to write to our Chief Executive, for I have always found that if you wish to get anything done and done right, to contact the biggest and busiest man and give him your first-hand information and version of whatsoever the trouble might be, that is the reason I am writing this letter direct to you, and my only hope is that you will see fit and take time to personally read the contents hereof.

I herewith wish to fully reflect the feeling of every man engaged in the livestock production and feeding of same. The worry of these men is not so much the dollars; it is the problem of being able to go ahead, in contribution to the war effort. These men have boys of their own, or otherwise close to them, in the armed services; they do not want to let them down, they resent the prospect of being forced to let them down, especially when that is being brought about by youthful, inexperienced, full-of-theory, empty-of-practice men and youths. The roll-back on prices and the subsidy, they feel, has not only brought the cattlemen's situation into a desperate position, it is tragic for future years to come; it will not only stop the cattle industry in the future, but it is already halted, whereby a big flow of stocker cattle will go to market this summer and fall, but no beef cattle, with no encouragement to feed whatsoever. Who will want to purchase these; they will be a glut and burden on the market. At the present prices of feed cattle no Corn Belt feeder will take them out, and you no doubt can see the handwriting on the wall, the catastrophe that will hit one of our biggest industries. Keep feed cattle in line with corn and other feeds, with wages of the laboring group, who are earning more now than ever, the cattlemen are not hard to get along with; if prices would just have been left alone as they were before the roll-back came, that was high enough, and also you will see a steady flow of beef cattle coming in; there is no reason for a shortage.

In your quotations, you have stated that if and when a better plan could be worked out, this one could be discontinued. The best plan and most cooperative plan, is the law of supply and demand. Let the Government keep out, and I assure you a better feeling will exist; prices will not go too high; cattlemen don't want them to; they only want a fair margin. You do not hear the airplane factories or building contractors hollering. Why? Because they know just

how much margin and profit they are going to make before they start, when labor goes up and other prices go up in materials, they bid up on their contracts; consequently, they are satisfied, but the cattlemen have loss of livestock to battle from sickness, have labor shortage, must do their own work. We have men here that retired years back that are now out on their own ranches and farms doing the heavy work; their sons have been called into service; they are wondering the outcome of the cattle they have on hand, just what to do with them; they cannot ship them on the present prevailing prices, because they cost too much first-handed. Who will pay their loss? Who will compensate them for their work and untiring efforts for the feed they bought and raised and put through these cattle? Chances are, no one. If they have a heavy loss, they must just place a bigger mortgage on their ranch; that will be the answer. Also already they have made the remark that unless they can make a profit on their cattle, they cannot and will not be able to buy any more bonds for the great cause for which they are needed.

Regarding all the trouble and difficulties in Washington, the average layman is not interested in that; the thing they are most interested in is whether the Nation is to have cheap food and high wages or whether all the elements of society will bear fairly and with reasonable equity the cost and burden of this war. The farmer or the cattlemen cannot be excused if they allow the labor group "to perpetuate this outrage of higher wages upon this great country." We must have a fair price in the market for our products and livestock, they cannot be separated from expanded and maximum food production.

Knowing that you are a great man and big enough, that you have vision to see our America of future years, that you can see the mistake that has been made, that you will do all to correct it and that everyone might enjoy our good way of wholehearted American cooperation. "All for one and one for all"; let us all keep staying united. I remain

Respectfully,

FRED W. HEINE,
Countryman, Farmer, and Banker,
Director of Kansas Livestock Association.

OFFICE OF PRICE ADMINISTRATION,
Washington, D. C., July 24, 1943.

MR. FRED W. HEINE,
The Farmers State Bank, Lucas, Kans.

DEAR MR. HEINE: The White House has asked to review your letter of July 1, 1943, in which you discuss several aspects of the livestock production program. You feel that the law of supply and demand should be permitted to operate with respect to cattle production and there would then be sufficient quantities of meat to satisfy all of our requirements.

We do not believe that it would be practicable to remove price ceilings on meat and permit the law of supply and demand to operate without some artificial restraint. It is very evident that meat prices would increase very rapidly and many people would find it difficult if not impossible to obtain their fair share of our available meat supply. Consequently, it is essential that meat prices be regulated in the same manner as other food prices are regulated.

We have no intention of establishing prices which will make food production unprofitable. Our principal concern is to obtain adequate quantities of all types of essential foods and, at the same time, maintain a stable price structure. In this connection, we are working in close harmony with the War Food Administration so as to develop well coordinated programs which will accomplish this objective.

Sincerely yours,

A. L. Erikson,
ARVAL L. ERIKSON,
Head, Meat Section, Food Price Division.

BUCKLIN, KANS. April 29, 1946.

MARK W. PICKELL,
Secretary, Illinois Cattle Feeders Association,
Washington, D. C.

DEAR SIR: I understand that you are to appear before the Senate committee on Wednesday when it considers livestock subsidies and ceiling prices.

What I write now is a composite of the conclusions reached after talking to top livestock producers in Kansas, Oklahoma, Texas, New Mexico, and Colorado during the past 6 weeks. I have bought and received cattle in all of these States this spring, and have sold a good many of my wheat-pasture-wintered cattle to go to eastern Kansas, Missouri, and Michigan so I have really contacted a good cross-section of thought in this territory.

In brief, the conclusions reached add up to about the following thought:

Subsidies: (a) Every producer is against them. Why take money out of your left pocket and put it into your right, taxing yourself to maintain a crew to do this job?

(b) Subsidies in the long run merely add to the already tremendous national debt, and if we are to pay this debt it will have to be lowered instead of increased.

Ceilings: Livestock ceilings are causing widespread black-marketing to develop. These black markets are breeding contempt for law and order in both producer and consumer, and in so doing are becoming the most dangerous menace possible to the mental health of our Nation.

If ceilings are lifted, prices will undoubtedly rise, but this will quickly be righted by the age-old law of supply and demand. Consumers will buy meat until it gets too high for them, then switch to beans, carrots, corn bread, and other cheaper foods, then meat prices will drop back down to where the average man can afford to eat them once more.

If producers get higher prices, they can and will pay more taxes. Let us pay this national debt while both prices and wages are high, and get this Nation back on solid financial ground. We are the greatest Nation on earth, but we cannot long endure unless we get financially solvent and have our operating overhead lowered.

Yours truly,

E. A. STEPHENSON.

Mr. PICKELL. As you can see, these gentlemen are in the Corn Belt and are in a desperate situation. They feel if the Gossett amendment to the Banking and Currency Committee bill is adopted as put in by Mr. Gossett, and the Flannagan amendment, that they will have some hope of being able then to go back to breeding.

Since April 18 a wave of optimism has swept over these Corn Belt livestock-feeding States. The feeders feel that if the Senate will but concur in the action taken on OPA extension by the House, then before long they can once more start work toward providing an ample supply of meat for the Nation's tables.

We would particularly ask that you include in the Senate version of this bill the amendments introduced by Congressman Gossett of Texas and Congressman Flannagan of Virginia and adopted in the House bill. They are contained in section 1A, subsections (b) 4 (A) and (b) 4 (B); and, in section 6, all of subsection (B). We frankly would like to see both of those sections included in the bill you report out, exactly as they have been written. Those are good provisions. Our only criticism is that even at the best they cannot become operative before July 1 when they should become effective right now while feed grains are still being planted.

Farmers should be told that under these provisions, the ceilings on cotton, peanuts, wheat, corn, oats, soybeans, sorghums, hogs, and cattle, must come off early in July. Therefore, before it is too late, farmers should plant as much cotton and peanuts, corn and sorghums, and breed as many sows for fall pigs as practical, and raise as many soybeans as they can, so that if the price does rise they can take advantage of it.

The cattle feeders should be told of it so that if the abnormally warm weather so far this spring is a forerunner of a dry season which forces thin range cattle out from the Southwest, the mountains, and the Northwest as is feared in many quarters, then these cattle feeders

of the Corn Belt can be ready to step in and buy, where they have the feed, and thus prevent a price disaster to the range country.

The packing-house workers of the CIO should be told of it, and told that under these provisions farmers will before long once more be filling their feedlots with cattle and hogs, and that the marketing of this livestock will once more give a full week of work at the advanced pay to the workers.

And the housewife should be told that while it will be very difficult for her to get meat over the summer, particularly after the run of fall pigs ends in June, the obstacles that have prevented the feeding of livestock for market are being removed, and she can look forward to having an ample supply for the table at a price she can afford to pay.

I think we are going to have the worst meat shortage this summer we have ever seen at any time in American history. Your hog run will finish up by June. We had a big pig crop and you will have more hogs running from June than we had last year.

Then from July on your hog run will decline and as these communications show, they are just simply not being put back into the feed lot.

Senator BARKLEY. Mr. Chairman, may I ask a question?

The CHAIRMAN. Yes.

Senator BARKLEY. Mr. Pickell, can you make any suggestions where by any legislative action by Congress we can hasten the pig crop this fall? If you can, I would like to know it and cooperate with you.

Mr. PICKELL. All you have to do is to give the fellows assurance that price control will come off, and they will take care of the pig crop.

Senator BARKLEY. I have seen it stated that there is an organized effort to delay action on this bill, but you say that we should let the farmers know right away what we do about this.

As a matter of fact, we are trying to hasten the hearings here so that we can report something out of this committee to the Senate. I am not at all facetious in suggesting that there is no way to guarantee that this bill can be passed, or whatever is to be done on any day or in any week.

Mr. PICKELL. That is very true. My only thought is this: If you gentlemen will report out in your bill those two amendments just exactly as the House put them in, the farmer will feel confident that the rest of the Senate will back you up.

Senator BARKLEY. Of course, I don't think anybody knows exactly what the rest of the Senate will do about anything.

Mr. PICKELL. The farmer has always been a speculator on nature and the weather, and I think he would take a chance on that.

Senator BANKHEAD. Do I understand you to predict that we will have the worst meat shortage in the history of this country?

Mr. PICKELL. I think so. This summer.

Senator BANKHEAD. Well, do you think that is a prudent time to take the ceilings off of prices?

Mr. PICKELL. I do, definitely.

Senator BANKHEAD. When you have got such a tremendous scarcity?

Mr. PICKELL. I do.

Senator BANKHEAD. Why? What will happen to prices if you do that?

Mr. PICKELL. If you don't take the ceilings off you are going to have a permanent emergency. It will just simply get worse and worse and worse. Let me give you, if I might, some figures of the Department of Agriculture.

Their yardstick for measuring——

Senator BANKHEAD. I don't care to go into anything except your philosophy about that. I have done that. You say notwithstanding the very great scarcity you would take that particular time to take the ceilings off?

Mr. PICKELL. Yes, sir.

Senator BANKHEAD. All right. That is all.

Mr. PICKELL. The cure for high prices is high prices.

Senator BARKLEY. Do you mean to say if we don't take the ceilings off, farmers are not going to let nature take its course and produce meat?

Mr. PICKELL. That is right. If we let nature take its course——

Senator BARKLEY. Well, it has to take its course if there is any meat produced. Do you mean deliberately they are not going to breed hogs?

Mr. PICKELL. How can they? How can they?

Senator BARKLEY. Well, is the ceiling on hogs high enough to justify breeding?

Mr. PICKELL. Not with your present price of corn, it is not. Your farmer has no assurance he will be able to buy corn at all. In any event he can make more money by selling his corn than by feeding it to livestock. On the cattle, he definitely cannot.

Senator BARKLEY. But the hog situation and the cattle situation are not necessarily parallel, are they?

Mr. PICKELL. No. They usually are. The price usually goes about the same, but so far as making money is concerned, that doesn't necessarily apply.

I never personally have been able to figure out just exactly a fair basis for measuring profits in feeding corn to hogs. I know this: that when the ratio gets to 14 to 1 for corn your hog production increases. When it gets below 12 to 1 it decreases. Right now I think it is about 11—or maybe around 12 at the present time.

Senator BUCK. Mr. Chairman, may I ask the witness what that means? Twelve bushels of corn to one——

Mr. PICKELL. To 100 pounds of hog.

Senator BUCK. And 14 to 1?

Mr. PICKELL. Fourteen to one. When it gets above that you have an unfavorably large increase in your hog production.

Senator BARKLEY. The more corn you feed hogs, the bigger they get and the faster they get to the market. That is perfectly natural. If you skimp him on his feed he will not develop as fast as if you give him all he can eat.

Senator BUTLER. You don't mean 14 bushels of corn will produce 100 pounds of meat, but that for every 100 pounds of meat you feed 12 to 14 bushels?

Mr. PICKELL. No, I mean 100 pounds of pork is worth 14 bushels of corn. Then you get an expansion in your production, but where it is below that you get a reduction.

Senator BUCK. I never did understand that.

Mr. PICKELL. In the April 1945 issue of the Livestock and Wool Situation, put out by the Bureau of Agricultural Economics of the

Department of Agriculture, they compiled a table showing the margin of profit in feeding cattle. They took the assumption that a steer that was bought in September, October, or November, at the average price at Kansas City, at a weight of 700 pounds, was fed 55 bushels of corn, three-fourths of a ton of loose alfalfa hay, 50 pounds of cottonseed meal, and marketed at the average price the next March, April, or May, their gross margin for 1940-41 showed a gross profit of \$8.79 a head; 1941-42, \$18.92 a head; 1942-43, after the OPA had put ceilings on meat, but the packers got around it by selling the carcass without boning it for the price formerly boned, the gross margin was \$19.06.

Then in 1943-44 the OPA put on the roll-back subsidies and your farmer got \$3.47 a head, for buying that steer in the fall and carrying it until the next spring.

For 1944-45 their figures show an initial figure of \$6.12, but the price went up in May. This is based on March and April. My figures show \$8.43. In 1945-46, based on buying a steer last fall and carrying him until this spring and marketing at the March and April average price they were making \$1.28 a head.

It would take about 4 hours a day to feed that steer. They handle them, according to the figures, 6 months or 720 hours. So your farmer who bought that steer last fall and has been feeding him has made the magnificent sum of 4.4 cents an hour for his work, and yet they talk about the huge profit there has been in the livestock industry.

Senator MURDOCK. How many hours a day did you say it would take?

Mr. PICKELL. For a carload it would be about 4 hours, 2 in the morning and 2 at night, on the average.

Senator MURDOCK. A carload?

Mr. PICKELL. Twenty-five head in a carload, so he would make \$32 on a carload, and it would figure out that he would make the great sum of 4.4 cents a head, and the result of that is your shipment of feeder steers from the four largest feeder stock markets—Omaha, Kansas City, St. Paul, and Chicago.—during the first 3 months of this year were 73 percent of last year, and in the first 3 weeks of April they were only 66 percent of last year.

In other words, your situation is last year you had a meat shortage; this year it is going to be much worse, and the indications are it is getting absolutely worse and worse all the time. Just the figures of your actual shipments back to the country completely verify what these men told you about what they are doing individually. The remedy is simple. Encourage the farmer to feed out to heavyweights the greatly reduced number of hogs and cattle now available, regardless of grade, and I would like to throw in here that the 1st of January of this year there were only 72 percent as many steers on farms as there were January 1, 1920, which was 2 years after your peak number of cattle was reached in the First World War.

Senator MURDOCK. When you say—I forgot what you said about the number of cattle available—what was your statement again on that?

Mr. PICKELL. That there are 72 percent as many steers—that is, the 1st of January, as there were in 1920.

Senator MURDOCK. Of steers, where?

Mr. PICKELL. On farms and ranches.

Senator MURDOCK. How about on the range?

Mr. PICKELL. That includes the range. There are 72 percent as many steers on the farm, range, and ranches the 1st of January this year as there was the 1st of January 1920.

Senator MURDOCK. Now does that mean that the population of cattle has decreased?

Mr. PICKELL. That means that your number of steers has decreased since 1920.

Senator MURDOCK. About the whole number of cattle, how about that?

Mr. PICKELL. The whole number of cattle has increased. There was an increase of 10,676,000 head in milk cows and an increase since 1920 of 1,288,000 in meat cattle.

Senator MURDOCK. That seems to me to be significant, that you have had an increase in your total beef cattle population and still a decrease in your steer population. Do you mean that the proportion of steers has gone down in comparison with female cattle?

Mr. PICKELL. That is exactly right.

Senator MURDOCK. Can you blame the OPA for that?

Mr. PICKELL. Yes, for this simple reason, that they have been prevented by their methods of utilization of the beef cattle from feeding just as heavy as they possibly could; then when those beef steers did not produce the necessary meat the packers had to go out and buy range cattle, many of them two-way cattle, as they were called. They could be either butchered or fed. They should have gone back to the feedlots to have more meat put on them. They had to get them in order to produce as much meat as they could.

When that would not produce the meat, then they had to go out and kill the calves. There has been a great slaughter of calves.

Senator MURDOCK. You mean the decrease in the steer population results from the slaughter of unfinished steers and smaller weight steers?

Mr. PICKELL. That is right.

Senator MURDOCK. And that they haven't fed them out to heavy steers?

Mr. PICKELL. That is right. You have right now from all herd cows, according to the Government figures, and that is the only record we have, you have got probably a record number of cows 1 to 2 years old on the farms. That figure is 14,000,000—I think a little over 14,000,000—compared to 10,000,000 in 1920.

On the other hand your number of steers on farms has decreased from 10,000,000 to 7,200,000.

Senator CAPEHART. Don't you mean the number of steers that are on feed?

Mr. PICKELL. No, I mean the total in the whole country. The number on feed—I think it is in the booklet—the first of the year is down quite sharply.

Senator MURDOCK. I assume that your yearling steers haven't decreased in number; I would assume from your explanation that the steers above yearlings—

Mr. PICKELL. Are decidedly down.

Senator MURDOCK. Have decreased and as a result of that your whole steer population, including your yearling steers, has gone down; is that right?

Mr. PICKELL. Yes, sir; that would be the only assumption you could have.

Senator BARKLEY. Mr. Chairman, may I say this: Secretary Anderson yesterday testified there are now about 81,000,000 head of cattle in this country.

Mr. PICKELL. That is right.

Senator BARKLEY. And compared to about 62,000,000 average from 1935 to 1939.

Mr. PICKELL. Yes, sir.

Senator BARKLEY. Which means practically 20,000,000 more head of cattle now than there was in the average period 1935-39. How do you break down this situation? What has happened to those 20,000,000 extra cattle?

Some of them, of course, are dairy cattle, but the proportion is no greater than it was in 1936-39.

Mr. PICKELL. In the first place, you are comparing there a situation now with the very poorest time you possibly could. That was right after the drought years when there were thousands and thousands of head—

Senator BARKLEY. Well, the average in 1936-39 was not unfavorable by a comparison with previous periods of averages of 4 or 5 years, was it?

Mr. PICKELL. Pardon me?

Senator BARKLEY. I say, the average for that 5-year period—4 or 5 years, 1935-39—did not compare unfavorably with the average number of cattle at any previous period of the same length, did it?

Mr. PICKELL. Well, your total number of beef cattle in 1936-39—well, in 1934 there were 36,000,000 head and then they commenced to drop down to 30,000,000 head in 1939.

Now it has come up to 41,000,000 head. You have had an increase there.

Senator BARKLEY. We have got more cattle now on feed in the United States than we ever had.

Mr. PICKELL. But they are milk cows.

Senator BARKLEY. I don't understand that, when the dairy people have been coming up here for 2 or 3 years and saying they are going out of business and killing their dairy cattle off.

Mr. PICKELL. In 1920 we had 30,251,000 head—that is your milk stock. In 1945 it was 40,538,000 head.

Senator MURDOCK. Senator Barkley has called to your attention all this information that we have been receiving for the last few years about dairymen sending their herds to the market in a wholesale way. Evidently, that is not borne out by these figures.

Mr. PICKELL. These are the official Government figures.

Senator MURDOCK. Well, I am going to ask you if in your opinion the increase of over 10,000,000 head of dairy cattle would corroborate the statements we have had from dairymen that dairy herds have been going to the market in rather a wholesale fashion?

Mr. PICKELL. The facts here would not indicate it.

Senator CARVILLE. As I understood your testimony, that included the heifers, not just the milk cows, but the heifer calves—that would include the whole group of female cattle, would it not?

Mr. PICKELL. Yes; held for milk.

Senator HICKENLOOPER. Mr. Chairman, may I call your attention and that of the witness to the fact that in 1920 we had a population in this country of approximately 101 or 102 million people, and in

1945 we had a population of 140,000,000 people, and that the dairy cattle have not gone up as fast in their population from 1920 to 1945, as the population of this country has gone up, thereby accounting for a substantial reduction in the comparative number.

Senator MURDOCK. You have an increase in your dairy herds of 33½ percent.

Senator HICKENLOOPER. I spoke of that, and you have 40 percent in your population.

Senator MURDOCK. What did you give as the population figure?

Senator HICKENLOOPER. I cannot give it to you exactly. It was about 101,000,000, just slightly over, in 1920.

Mr. PICKELL. And 139,000,000, I think, is your last census figure.

Senator HICKENLOOPER. In other words, I think that is a significant fact in comparing the number of your present dairy cattle with 1918-20.

Senator MURDOCK. I think that is very significant.

Senator HICKENLOOPER. And might possibly account for, I think, the factual statements that they have been slaughtering the dairy cattle and that there are not as many producing—I should not say producing—but as many female cattle that would go into the milk-producing end of it proportionate to the population as there was in 1920.

Senator MURDOCK. Your increase, Senator, in your population, compared with the dairy cattle, I believe is about the same if your figures are correct.

Senator HICKENLOOPER. I believe the human population has gone up more than the cattle population.

Senator MURDOCK. I am taking your figures, now—140,000,000 against 105,000,000, and there is the same percentage of increase in the dairy herds.

Senator HICKENLOOPER. I have not the figures at hand, the exact figures, but it runs in my mind there is a differential there that would show that the proportionate number is not quite as great—

Senator MILLIKIN. I suggest also the fact has to be considered that by better feeding methods and scientific improvements the production of cows is greater now than it was in 1920.

Mr. PICKELL. I don't know anything about the dairy industry. I only know the fact show that at the peak during this present war, which was reached in 1944, there was 41,437,000. That is your cows, your heifers, your calves.

Senator MURDOCK. I think the statement made by Senator Millikin is very important and significant. I know in my own State production per head of dairy cattle has gone up, I would say, very much.

Mr. PICKELL. I think that is correct.

The present condition of short meat supplies is the cumulative result of policies forced by OPA and the Department of Agriculture during the past 4 years:

1. OPA and USDA put in regulations forcing farmers to market their cattle at lighter weights than normal despite the fact that never at any time in World War II were there as many beef cattle on farms and ranches as at the peak in World War I.

2. When the reduced numbers of beef cattle, steers in particular, failed to produce the needed meat to supply greatly increased population that was working the greatest number of hours per week of any

time since the beginning of the century, and to supply the greatest armed force this Nation ever put together, the packers had to buy range cattle, many of which should have gone to the feed lots to have their weights of meat increased 25 to 100 percent.

3. When these failed to supply the meat, the packers had to turn to killing calves. Slaughter of calves during this war was the largest ever in all history without a doubt. Those calves should have been taken to the corn belt and their weights doubled or trebled so we would have had more meat that was needed.

4. Not content with this, restrictions have been thrown around the purchase of feeds so that the livestock feeder does not know right today whether he would be permitted to buy the necessary feed even if he could secure it.

Those are the causes that have led us to a point where on January 1 of this year there were only 72 percent as many steers on farms and ranches as there were on January 1, 1920—a year after the last war ended. They are the causes that have forced a decline in the number of sheep on farms every year since OPA was created. Those are the causes that, according to my reports, indicate a spring pig crop no larger this year than last, despite an urgent request for an increase.

Those are the causes that, according to some doctors' reports, have led to an increase in the number of cases of anemia during the past year, cases that respond to dietary treatment of meat. I was told by a blood technician of a large hospital in Chicago that a change in the blood has been noted among donators during the past year.

Gentlemen, I say to you, that if there is any danger at all that a lack of meat in the diet is causing a change in the healthy condition of the blood of the people, it is imperative that nothing whatever be left in the road of a restoration of a full supply of meat for the tables, before a disastrous epidemic strikes.

The packing-house unions at Chicago have asked you to keep controls on livestock. If they want to throw all of their members out of work, let them continue that attitude. If you want the people to go without meat and become an emaciated people like the Chinese, keep this control on.

Shipments of feeder steers from the four largest stocker and feeder markets during the first 3 months of this year have been 91,872 head compared with 125,702 head last year. That is a rate of 73 percent of last year when we had a shortage to meat to eat. Shipments for the first 3 weeks of April were 24,982 against 37,798 last year. That is a rate of 66 percent of last year. It is getting worse. And it will continue to get worse and worse unless you gentlemen do something about it.

The remedy is simple:

1. Encourage farmers to feed out to heavy weights the greatly reduced numbers of cattle and hogs now available, regardless of grade. To do this, the ceilings on meat and livestock as well as the subsidies must be removed so that the price of the finished animal goes to a level that will encourage feeding instead of discouraging it.

You may ask how high this would be. It would be to a level that will encourage feeding for the production of as much meat as can be sold, sold profitably at a price the housewife can afford to pay. What price that would be is beside the point. The important thing is that a

free price would bring supply and demand into balance at a price the housewife would pay, like it always has.

2. Remove the regulations that force packers to buy thin cattle that should go to the feed lots to have their weights greatly increased. This must be done to restore a margin between the cost of the feed and feeder, and the selling price of the finished animal, so farmers will start feeding again.

3. Restore grading to a prewar basis.

4. Remove the restrictions on purchase of grains and feed, and price controls on them. Give the price an opportunity to restore a balance between supply and demand in grain by causing farmers to plant and harvest every bushel of feed grain possible. This should be done immediately, while the crop-planting season is still on.

It was always the practice of the Russian peasants to store in the attic of their farm home a full year's supply of wheat to guard against a crop failure the next year. When Kerenski seized control in Russia, he sent his cohorts to seize this wheat. A short crop came the next year, and millions of Russians were reported to have starved as a result of eating up this surplus.

Feed policies being put into effect by the Department of Agriculture on grain right now are laying the foundation for exactly the same thing in the United States if controls were kept on.

Disappearance of corn from the farms and visible supply between October 1, 1945, and April 1, 1946, was 2,231,000,000 bushels compared with 2,071,000,000 bushels the year previous, or a rate of 107 percent. Remaining supplies on farms and in the visible were 1,096,000,000 bushels.

Last year the disappearance of corn from April 1 to October 1 was 1,040,000,000 bushels. The Department of Agriculture is right now offering 30 cents a bushel over the prescribed maximum price for corn in an effort to get 50,000,000 bushels to export.

As it is, the reserve stocks at the end of the year promise to be dangerously low. If they are successful in their campaign, those reserves will be practically exhausted despite reductions in feeding. A crop failure then would be a complete disaster if price controls are retained.

Yesterday Secretary Anderson made the statement here that this corn bonus was to get the corn for the corn industries. He belittled the hog raisers as criminals for having raised some hogs. The corn bonus of 30 cents, according to his statement, is to get corn for the industries, but when they put the cattle quota on it knocked the price of cattle down. In other words, they can boost the corn price and the Government stands the loss to take care of the corn industry, but when the cattle quota is put on it is the farmer who has to bear the brunt if that works out.

Now, your corn industry—the industrial use of corn by the “wet” process—the peak we have ever had was 132,358,000 bushels in 1942. Since then it has gone down. I don't know whether it is significant that that has happened since OPA has been in operation, but nevertheless the industrial use of corn has declined steadily.

Your primary market receipts for this industrial use—by the way, some of the corn-products plants are at Decatur, Ill.; some at Pekin, Ill.; and some at Cedar Rapids, Iowa—not all of that corn comes to the terminal markets, but your receipts of corn at the primary markets from the 1st of October up until last Saturday were 175,434,000

bushels. At that rate they should be well over 200,000,000 bushels during the crop year.

In other words, there have been many, many years, in the whole year from October 1 to October 1, you didn't get 175,000,000 bushels of corn in the primary market. This year they have that much. Now, if the corn industries have not been able to buy that corn it definitely is not the fault of the hog farmer because he has not bought one bushel that came to the terminal markets. It has been the fault of the pricing system, and the hog feeders rather resent the implication that we have been using too much.

There is one thing they don't understand. That is that it has taken about five bushels of this year's corn to do what four bushels has done in a normal year because the corn has been so very terribly poor.

We had an example of what would happen in 1943 and the winter of 1944. It became apparent to some of us early in 1943 that with meat rationed, and slaughter restricted drastically, the supply of hogs to move to market that winter would not only swamp the packers, but unless it was handled swiftly and promptly, the corn reserves would be seriously depleted. Starting in September 1943 an effort was made to get the United States Department of Agriculture, the Food Administrator, and the OPA to be ready to take off ration points on pork and to remove slaughter restrictions the minute a glut in the marketing became remotely possible. This effort was continued all fall. But they refused to even consider it.

By winter, the markets were swamped and the promised "floor" under the market was shown up as but a delusion and a sham.

OPA did remove ration points on pork that year—in June, 6 months after it should have been done. One month after they took off the ration points, the market moved to the ceiling where it has been practically ever since.

I have never seen farmers of this Nation so jittery over a crop as they are over that for 1946. Where average corn yields from 1929 to 1940, inclusive, were 24 bushels per acre, the average from 1941 to 1945, inclusive, was 32.8 bushels. That is 136 percent. Even allowing 15-percent increase for the increased yields of hybrid corn, the yields have been 118 percent of average.

The average yield of wheat from 1929 to 1940, inclusive, was 13.4 bushels per acre. The average yield from 1941 to 1945, inclusive, was 17.7 bushels or 132 percent.

The yield per acre of the four combined feed grains of corn, oats, barley, and sorghums in the years from 1941 to 1945, inclusive, was 129 percent of the 1929-40 average.

Contrast these above-normal yields with those in some other countries that either were not in the war or were out of it early. Preliminary reports on the Argentine corn crop this year indicate a yield per acre not over 50 percent of the long-time average. Yields per acre of wheat for Algeria, Morocco, Tunis, Spain, and Portugal in 1945, due directly to drought, were 61 percent of the 1935-39 average. There, but for the grace of God, could be the United States. Farmers are waiting in fear and trembling for Nature to even up here.

On last Wednesday, April 24, the chief weather forecaster at Chicago issued a statement saying that [reading]:

The growing season in America's farm belt is off to the driest start since the drought years in the mid-thirties, and general rains will be needed within 2 weeks to maintain the present good-crop prospect. Weather runs in cycles and it may

be that we are emerging from a wet cycle which has been very favorable for crops since 1937.

If ceilings are maintained at parity and there is a short grain crop, then every farmer who harvests this short crop is doomed to take a below-normal income for the year whether he feeds his grain to livestock or sells it as grain on the market. And this right at a time when the Government is urging increases in wage rates for all other workers.

If a low average yield of grain resulted in a short crop and the price was not permitted to perform its economic function of adjusting the demand to the supply, then so much of that available supply would be consumed early in the season that, despite rationing or any other belated palliatives, famine could overtake the Nation before a new crop could be harvested.

If the crops are good, the supplies large, then price controls are not needed.

If they are poor, then price controls are the most dangerous things imaginable.

If supplies are small, then all of the regulations that OPA and USDA could put into effect would not prevent black markets. Those who were forced to depend upon food through the regular channels would be the first to starve just as they are now the first to feel the pinch of the meat shortage.

We have had short crops in the past. But under a free economy and a free price, there has never in the past been a time but what the stores had meat and cereals to sell. There has never been a time but what at the end of the year we still had a little reserve of grain.

We would appreciate it very much if you as a committee would put into your bill the Gossett amendment which says that [reading]:

In the case of agricultural commodities the Secretary of Agriculture is hereby authorized and directed to make a determination as to whether the supply of the commodity is equal to the domestic consumption of such commodity. When such supply is equal to such domestic consumption he shall forthwith certify such determination to the Administrator. The Administrator shall within 10 days thereafter remove all price ceilings with respect to such commodities. When the production of any agricultural commodity for the past 12 months equals or exceeds production of this commodity during the 12-month period from July 1, 1940, to June 30, 1941, then such facts shall be certified to the Price Administrator by the Secretary of Agriculture and such Administrator shall, not later than 10 days after the receipt of such certification, remove all maximum price ceilings from such commodities and all commodities for human consumption derived principally therefrom.

Adoption of the two provisions written into the House OPA extension bill upon motions by Congressmen Gossett, of Texas, and Flanagan, of Virginia, will restore freedom of prices on most grains, cotton, and livestock. We of the Corn Belt Livestock Feeders Association plead with the members of this committee not only to write them into the bill that you are to report, but to let the farmers of the Nation know that you have written them in so that those farmers will be encouraged to produce just every bit of food this year that they possibly can.

The CHAIRMAN. Thank you very much.

Are there any questions?

Senator BARKLEY. Yes. I would like to ask Mr. Pickell, did you write this yellow pamphlet which you left with us?

Mr. PICKELL. I did.

Senator BARKLEY. Did you write the last part of it in which you with great eloquence cite the case of Joseph in the Bible and Caesar, Mussolini, and Hitler?

Mr. PICKELL. I did.

Senator BARKLEY. I won't read it. You refer to Joseph and what he did in Egypt when they had a famine over there, and then you refer to Caesar and say he also became the ruler of the destinies as an absolute despot over his people. So did Mussolini. So did Hitler. And they all died violent deaths.

Then you add [reading]:

A few men who have proved their inability to lead, but have brought chaos, confusion, and shortages in food, have seized control of the destinies of America by seizing control of prices. They want to perpetuate that power.

I would like for you to name anybody in the Government of the United States—you must have had somebody in mind when you wrote that—will you name any single man in the Government of the United States who desires to perpetuate or continue price control for the purpose of continuing and perpetuating their power over the destinies of the United States?

Mr. PICKELL. The gentlemen who are in the OPA want to continue their power until price and production, supply and demand, come into balance, and it will never come into balance, particularly in the livestock industry, so long as that continues.

Senator BARKLEY. Well, you did not say that. You say these gentlemen in the Government desire to perpetuate this control in order to perpetuate their power. I would like to have some of these people identified who want to do that. There may be a difference of opinion about the wisdom of this legislation and about the continuance of price controls, or any other controls. I am interested in the facts this witness has submitted, but I am not greatly interested in insinuations against the good faith and the sincerity and the honesty of men who are in the Government service of the United States.

I would like for you to name one single person in any of these departments, whether it is Mr. Bowles—do you think he wants to continue these controls in order to perpetuate his power?

Mr. PICKELL. That seems to be the action that he is taking, the actions which he wants to be put in are actions which will not bring supply and demand into balance, therefore it would automatically continue his power.

Senator BARKLEY. Mr. Bowles has repeatedly stated to this committee that he desires to get rid of these controls and get out of this job as soon as possible. You think he desires to continue price control in order to perpetuate his power? Your answer is "Yes" to that?

Mr. PICKELL. Through that general organization, I do think so; yes.

Senator BARKLEY. You think he is trying to continue these controls in order to perpetuate his own power?

Mr. PICKELL. Not necessarily his power, but the power of the Government over prices.

Senator BARKLEY. Do you think Mr. Anderson, the Secretary of Agriculture, has any such motive as that?

Mr. PICKELL. I don't think so of Mr. Anderson. No.

Senator BARKLEY. Do you think Mr. Small, the head of CPA, the Civilian Production Administration, has had any such motive?

Mr. PICKELL. OPA is the only one to which I particularly refer.

Senator BARKLEY. Who else in the OPA wants to perpetuate his power? When you perpetuate something you carry it on forever, do you not?

Mr. PICKELL. That seems to be their general proposition.

Senator BARKLEY. That is what you think about them?

Mr. PICKELL. That is what I think about them; yes, sir.

Senator BARKLEY. And you expect this committee to be influenced by your opinion that Mr. Bowles, who is the only one you are willing to name apparently, wants to perpetuate his power down in the OPA forever—he is urging the continuance of these controls in order to do that?

Mr. PICKELL. I think that the whole thing is wrong and should be broken up.

Senator BARKLEY. That is a matter of opinion and I might agree with you about a lot of your views on it.

Mr. PICKELL. Yes, sir.

Senator BARKLEY. But when men come here and impugn the motives and the honesty and the patriotism and the sincerity of men in public life, I would like for them to name them, and I would like for them to give the basis for their conclusion.

Mr. PICKELL. Simply the fact of the things that they advocate, waiting until your supply and demand get into balance before they take control off. That will never happen.

Senator BARKLEY. Do you think they want to perpetuate their power just for the sake of it?

Mr. PICKELL. I think they are wrong. I think the thing ought to be thrown out.

Senator BARKLEY. Mr. Bowles may be wrong. I may be wrong. But I certainly don't want to perpetuate anybody's power and I don't think Mr. Bowles does just for the sake of power, or for the sake of perpetuating it, or anybody else in the Government of the United States. God knows, we would all rejoice if tomorrow we could get rid of it. I would thank Almighty God on my bended knee if I could look forward to never getting another letter giving me hell about something.

Senator BUTLER. I don't want to extend the argument any further, especially between different members of the committee, but I suspect you base your statement here largely on the propaganda that has gone out from the OPA agency for a continuance on its own part.

Mr. PICKELL. I did. That is very true.

Senator BARKLEY. Well, of course, what you call propaganda—when you have got an organized propaganda against everything the OPA is doing, you can hardly expect it to be supinely on its back and not at least give people some information about what it is attempting to do, when there is all of this organized effort in the United States attacking its good faith and sincerity and everything else.

Congress created the OPA. It didn't just grow up.

The CHAIRMAN. I received, I suppose, up to date, about 30,000 communications from my own State favoring the continuation of OPA. I think that was done in good faith.

Mr. PICKELL. So do I. I think it is merely a wrong basis. I think that particularly in the livestock industry we have got to get rid of them so that the fellows back home will have more confidence. When

they get confidence then they will go ahead and feed their livestock when they have the assurance that these regulations will not continue.

The CHAIRMAN. Well, thank you very much. We will next hear from Mr. Downs.

STATEMENT OF JAMES C. DOWNS, JR., REPRESENTING NATIONAL ASSOCIATION OF REAL ESTATE BOARDS, CHICAGO, ILL.

Mr. DOWNS. My name is James C. Downs, Jr. I am president of the Real Estate Research Corporation, Chicago, Ill. I am here on behalf of the National Association of Real Estate Boards which is an organization of some 800 boards and 30,000 members.

The CHAIRMAN. Would you rather sit down?

Mr. DOWNS. No, I would rather not, because I intend to use these charts. I am more particularly appearing here on behalf of some 8,000,000 people who own properties in the United States.

I would like to point out to the committee that I represent the only group in the entire economy which has had no price rise since the imposition of its ceiling.

I represent the only group which has never been accused successfully of a black market, because there isn't any possibility of a black market in a rented dwelling.

Although the general economic factors in the movement of the economy have clearly justified a horizontal increase in rents, that is not what I am here to ask for. I am here to speak on behalf of an amendment where a property owner if he had had an increase in costs since the freeze date could apply to the OPA, could file his increase in costs and could then get an adjustment in rent based on his increased costs up to not exceeding 10 percent.

Now, with any studies of the general economy it would seem perfectly obvious that a segment of the economy which has been absolutely frozen into its position in the economy as of March 1, 1942, or before, is entitled in fairness to some relief. We are not here to advocate the abolition of rent control. We are not here even to seek a horizontal raise in rents which is not justified by increases in the general expenses.

I would like to point out just a few facts which I can show from these charts rather readily.

The cost of living up until the end of 1945 is shown to be up 30 percent, whereas rents were up 4 percent since 1939. The fact is if you analyze out this cost of living, 19 percent of it is rent. Therefore, the landlords have subsidized—when you say the cost of living is only up 30 percent, if rent had gone up as much as meat and food and clothing, the cost of living would be up 50 percent.

The fact is that since January, as testimony here has shown yesterday and the day before, this cost of living is soaring more rapidly, as based on Government indexes. What happens as a result of that to the average owner of property in this country?

In the first place, his income is down at this level and the purchasing power of the dollar has gone way below. His purchasing power at the same level has been reduced sharply in the economy.

Another thing that happens directly as a result of this, with the owner getting no relief whatever, hundreds of thousands of owners in this country have been forced to sell their housing because its

position in the economy of the country was reduced, so that they could not afford to carry it in the light of the selling price which they could get.

The fact is that thousands of veterans who are looking for rental houses are being forced by the situation in rent to attempt to purchase houses when rental housing is what they actually need, but the thousands of owners who own the rental housing, who are forced into this adverse position in the economy, cannot afford to continue to rent houses.

Senator MITCHELL. Do you have any chart that shows the increase in the sales price of property?

Mr. DOWNS. No; but the increase in the sales price, I believe, was testified here by Mr. Bowles, is up around 50 percent.

Senator MURDOCK. Have you any information on this, whether or not the house on being sold is occupied by the buyer or rented?

Mr. DOWNS. I do have information on that. Practically 100 percent of the houses being sold today are sold for occupancy by the buyer. There is practically no purchase of rental housing in the United States today in the single-family dwelling, which is the main background of our American housing.

Senator McFARLAND. A man could hardly afford to buy a house at the price he would have to pay and rent it for the rentals he would be held down to?

Mr. DOWNS. Yes; but the reason for that is not because the purchase price of the house has moved up beyond the limits of what he could reasonably expect. Here is the only successful control over prices that has been accomplished by the Government. I think it is admitted generally, even by the OPA that that is a fact.

One other thing is that because your rents are so low you have quite a hoarding of what little rental housing there is left in the market. We know of any number of people who, because rents are so low, are keeping a town apartment as well as their suburban house. We know people, groups of young people, who come to the city—a stenographer who might have gotten \$125 a month before this present emergency, now gets \$200 a month. So she lives alone instead of living with her girl friend.

Thousands of apartments are taken off of the market through hoarding of housing.

I happen to be chairman of the Wyatt committee in Chicago. The real need we have got to meet is to get rental housing on the market.

Now, under OPA pricing programs they are granting there is a 20-percent margin between this level of prices and the prices which they will approve on rent for new dwellings. Factually, unless rentals are allowed to come up modestly, and that is all we propose, you are going to have a deterrent to the construction of rental housing in the United States.

Senator McFARLAND. What would you call modest?

Mr. DOWNS. Well, virtually all the urban rental housing in the United States is covered by the OPA. There are areas which are not covered but all the major urban centers of the country are now under regulation.

Senator McFARLAND. What do you call modest? I have had letters from people who say that their sole support is the rental of one or two houses. Maybe it is a widow woman. They had permanent

tenants in their houses who had been there for several years and they were frozen with prices down. They say they cannot live on that rental, but what would you say would be a modest increase?

Mr. DOWNS. Our proposed increase—the maximum which we propose here is 10 percent. I happen to deal with several thousand tenants and any tenants I have asked, “Do you think a 10-percent increase in rents would be out of line?” I have failed yet to have a tenant tell me, “No; I don’t think you ought to get 10 percent more.”

As far as I know the average tenant class in the United States are worried about the removal of price control. It would be a real hardship if the rents went from \$60 to \$120, but if it goes from \$60 to \$66 he thinks it is a fair deal and so does the average tenant in the United States.

I will say that the average person who owns this rental housing—we will say this widow woman that owns it—is not the ogre that is pictured as the vicious landlord. Our point here is that—

Senator HICKENLOOPER. Mr. Chairman, I would like to get a statement of Mr. Downs correctly. I understood you to say that you had asked any number of tenants about an increase and you had yet failed to have any tenant say no, or that he approved it.

Mr. DOWNS. No. My statement was that I have asked several hundred tenants what would they think of a 10 percent increase in such a rent. “Do you think it would be unfair?” I have yet to have a man say to me that it would be unfair. They all figure they would go along on 10 percent. What they are worried about is a 30-percent or a 50-percent or a 70-percent increase.

Senator HICKENLOOPER. My understanding was that they all said they would object to it.

Mr. DOWNS. No. They all said they would go along with 10 percent and think it is fair. Our housing is a national asset. I don’t think there ever was a time in the history of the country when we would agree that housing was as great a national asset as it is now. We have come to recognize in our rural areas that preservation of a national asset is an objective we ought to maintain.

Senator BARKLEY. Are you recommending that we enact legislation so as to instruct the OPA to increase rents 10 percent?

Mr. DOWNS. No. We are recommending that the committee amend this bill so that the landlord who has an increase in costs, taxes, operating expenses, decorating, and so forth, may file with the OPA a statement of his increased costs. If those costs are up enough to justify a raise in rents, of 6 percent we recommend that he be allowed to put in a 6-percent raise—that unless OPA can prove his figures are false that he be given immediately a 6-percent raise, but in no case should he be allowed to raise his rents over 10 percent even if his expense is higher than that.

Senator BARKLEY. Of course, he can file all that now with the OPA.

Mr. DOWNS. Under the regulations he can file it, but the only way he can get a raise in rent is that if his net income in dollars, in the amount of dollars that are of low purchasing power, is off by 3 percent or more from what it was in the base period 1939-41.

Senator BARKLEY. The point is that if we attempt to write out or spell out into the law itself any blueprint of what the OPA shall do with every situation—if we do it as to rents a lot of people would think we ought to do it as to everything else. It would be like Con-

gress trying to instruct the Interstate Commerce Commission what rates the railroads should charge for freight.

Mr. DOWNS. I don't think that is true under the proposed amendment, Senator.

Senator BARKLEY. Well, I hadn't seen your amendment.

Mr. DOWNS. We have those amendments here and I would like to have them distributed and put into the record.

Senator MILLIKIN. Mr. Downs, how many rented houses are there in the United States?

Mr. DOWNS. There are 15,334,937 housing units rented in 1940. That has been somewhat reduced. There are 11,413,036 units owner-occupied.

Senator MILLIKIN. Do you anticipate much administrative difficulty in applying your formula?

Mr. DOWNS. No; I don't.

Senator BARKLEY. Wouldn't practically every landlord come in for a raise?

Mr. DOWNS. I believe that most of them would find conditions which would warrant their petitioning, but I think that is no greater job than the original registration. If the OPA cracks down on anybody that filed a false statement they will very easily have a statement of the accuracy they could expect.

I think on a sampling basis they could check it very carefully. I don't think the administrative problem is insurmountable.

Senator MILLIKIN. First of all, I think there are many inequities in the present ceiling prices that should be adjusted. I am thinking solely in terms of what it would involve in administrative machinery. There would be hundreds of thousands of applications come in, each one of which would have to be processed separately.

What sort of an organization are you going to build up?

Mr. DOWNS. The way you could avoid that very easily would be to give everybody a 6-percent flat increase.

Senator MILLIKIN. But that is not what you are advocating.

Mr. DOWNS. We are not advocating it because we are trying to be conservative.

Senator MILLIKIN. The point I am wondering about—you have two propositions there, what you have just now said, or your proposal here. I am just wondering whether your proposal is practical considering the administrative difficulty.

Mr. DOWNS. We believe this: Since in no case would there be an interim right to raise rents more than 10 percent and the public would know that, the OPA could investigate such cases at their leisure, being absolutely certain that in no case was 10 percent being exceeded. It would save the public probably 3 or 4 percent because we think the average raise would be somewhere around 6 percent.

Senator MILLIKIN. It would be contended or it might be contended that if OPA acted under broad categories and granted automatic relief to large numbers of persons that it would be the same as an automatic uniform increase.

Mr. DOWNS. Right.

Senator MILLIKIN. Do you not really believe that is what it comes to?

Mr. DOWNS. Well, we really believe, if you ask me, that the property owners of the Nation are more than entitled to a flat 10 percent increase, yes.

Senator MILLIKIN. I think in many cases the landlord is entitled to an increase and I am interested in a formula that will do justice in those cases. I am also interested in not imposing further burdens on an already overburdened agency. I am just wondering whether or not you are going to snare OPA up with the processing of 15,000,000 applications each one of which has to be considered on a separate basis.

I wonder if your more practical course would not be to come right out for a 10-percent increase because I think everybody can show a 10-percent increase.

Mr. DOWNS. Our feeling was that we didn't want to put the agency in the position of making a 10-percent increase mandatory except where it was justified. We believe that the whole economy justifies it, but we want to have this probed. I think in your wisdom you will select which of the two you believe will be the most effective with the OPA.

Senator MILLIKIN. Well, I have not made up my mind what to do about it, but I would like to see a system whereby there would be a better administration of justice to landlords in cases where they can show increased costs.

Senator McFARLAND. As a matter of fact, on new houses that have been built since this act was passed the rentals are high enough and, in some instances, even too high, are they not?

Mr. DOWNS. The OPA has to approve 20 percent above comparability. If you have a house that rents for \$50 a month, and you build one next door, you can rent it for 20 percent higher.

Senator McFARLAND. But at the start you can rent it for whatever you want to?

Mr. DOWNS. Under the OPA rent regulation you can rent it for the first rent, but that is subject to review by OPA. The theory is that they will not approve now more than 20 percent above comparability.

Senator MURDOCK. Under the amendment, if the owner files a statement under oath as to his increased costs, then the burden is on OPA to disprove that?

Mr. DOWNS. Yes.

Senator MURDOCK. The owner is immediately entitled, under his statement—

Mr. DOWNS (interposing). To a raise in rent not to exceed 10 percent.

Senator MURDOCK. Coming back to Senator Millikin's suggestion, does not the rent mandatorily increase on the part of everybody that files such a statement?

Mr. DOWNS. I do not believe that people are going to perjure themselves.

Senator MURDOCK. I do not think they will, either; but is not the net result of what you propose a mandatory increase in rent on the part of everybody that files a statement?

Mr. DOWNS. On the part of everybody who has had an increase in the cost.

Senator MURDOCK. On the part of everybody that files a statement.

Mr. DOWNS. That is right.

Senator MURDOCK. I think it is reasonable to assume that everyone will file such a statement.

Mr. DOWNS. That is correct. But everyone will not come out 10 percent. Some will come out 4 percent, some 6 percent, some 7 percent. So, you do not have a mandatory 10 percent due.

Senator MURDOCK. No; but it seems to me that probably from an administrative standpoint it would be far better for Congress to arrive at a definite percentage increase rather than to pile up what I agree with Senator Millikin would be an insurmountable administrative situation.

Mr. DOWNS. I think there is a lot of administrative merit to that point of view.

Senator MCFARLAND. I think that what Senator Millikin and Senator Murdock are thinking about is that everyone who did not get the full 10 percent would be writing to his Senator asking why he did not get it.

Mr. DOWNS. They would be writing to the OPA, too.

Senator MURDOCK. The Senator, of course, is a good mind reader, but he did not read my mind. I do not think there would be any need of writing Senators. I think the Senators would be removed from the picture. When each one files his statement showing an increase in costs, then the OPA is bound, as I see the picture, to grant the increase under that statement.

Mr. DOWNS. That is correct.

Senator MURDOCK. If each one of these owners files such a statement it seems to me that the administrative difficulty in trying to arrive at what is right would be insurmountable. I am rather inclined to believe that there has been a lot of injustice in rent control, not intentionally, but of necessity. Such injustices have occurred; and I am rather inclined to the belief that if we are going to improve the situation the better way to do it would be to grant a 10-percent increase.

Senator MILLIKIN. I would like to ask the witness this question. Out of a hundred rental cases how many would not be able to show a 10-percent increase in costs?

Mr. DOWNS. I would say, 40 percent.

Senator MILLIKIN. So that there would be a sizable number of people that could not show a 10-percent increase in costs?

Mr. DOWNS. That is the maximum; yes.

I would like to point out this fact. We are letting our city houses, our urban dwellings, go to rack and ruin as the result of the fact that people who rent them cannot repair anything. It is comparable to the case of a farm, where the farmer puts a field in corn every year and finally lets it dwindle down to nothing. There is no way for him to get it back.

Senator MCFARLAND. Before you leave that point: I had occasion to contact OPA officials for one party, and they told me that this party wanted to improve his house, make some improvements on it. They said he would have to get permission from the renter to make those improvements. Do you have any trouble with orders like that?

Mr. DOWNS. If you want to remodel a dwelling unit you must get the permission of the OPA, on the remodeling, from the point of view of an adjustment in rent. There is a provision in the regulations that if you modernize or remodel a dwelling unit you can evict the tenants for that purpose and you can remodel and subsequently rereat at a higher rate, subject to negotiations between you and the OPA.

Senator MCFARLAND. According to the information given me, the party had to get permission from the renter in order to do this work.

Mr. DOWNS. If they wanted to discommode the renter or alter his living accommodations, they would have to.

Senator BARKLEY. As a rule there is more pressure on the part of the renter to have the landlord improve the house than there is to get the renter to let him do it.

Mr. DOWNS. That is correct.

Senator MCFARLAND. But not to get an increase in the price for the rent.

Senator BARKLEY. No.

Mr. DOWNS. The theory is that whatever you can get you can get.

Senator BARKLEY. Of course. But I do not think that every time a landlord papers a room or a whole house he ought to be entitled to an increase in rent.

Senator MCFARLAND. He is not getting an increase.

Mr. DOWNS. But if it used to cost him \$10 and now it costs him \$20 to paper a room, he ought to get some relief for the extra \$10.

Senator MCFARLAND. It must be a permanent improvement in order to get relief?

Mr. DOWNS. That is correct.

Senator MCFARLAND. Is there no increase in rental for that?

Mr. DOWNS. No, sir.

The next chart is a break-down of rented dwellings. 41.4 percent of them are houses; 21.6 are 2-family flats, and these [indicating] are 3-family and 4-family flats.

One of the real stereotypes in this business of why is the landlord doing so well today is the fact that the landlord is reputed to have made great gains in occupancy; that he has now had so much of an increase in occupancy that he has a lot of money, and that has offset the fact that he has not had an increase in rent.

In the 1940 census the four-family flats and small units in the United States had a vacancy of 7.86 percent.

Senator MITCHELL. Is that for the whole country?

Mr. DOWNS. That is for the urban dwelling units.

Senator MITCHELL. You do not have it broken down by price-control areas?

Mr. DOWNS. No, sir; I do not; but I think it is safe to make the assumption that rent control was not put on in Detroit, for instance, until the occupancy was well over 95 percent, because that was a part of the Administrator's instructions, that when he considered that there was an emergency shortage in an area he was to impose rent control. Of course he would not impose rent control in any area where there was a vacancy of 5 percent or more, because that does not constitute a shortage.

Senator MITCHELL. In other words, the demand for apartments would have pushed the rental up when price control would come in?

Mr. DOWNS. Yes; our experience is that unless occupancy is well over 95 percent you cannot get away with raising somebody's rent, because he will move some place else. A house is either a hundred percent rented or a hundred percent vacant.

Senator MILLIKIN. I do not follow you on that statement.

Mr. DOWNS. A house has only one tenant.

Senator MILLIKIN. You mean renting a room in a house?

Mr. DOWNS. I mean, as a rented dwelling. The house is either rented or it is vacant. If the fellow living in it runs a rooming house

he might rent a room; but the typical rental situation is that the landlord owns the home and a single family rents it; and it is not possible for the landlord of a single-family home to get an increase in occupancy. That is my point.

Senator MITCHELL. On a day-by-day basis that is right, but on an annual basis or a monthly basis it is not right.

Mr. DOWNS. A house is generally leased on an annual basis. It might be in a 10-year period, if the house was vacant for 6 months and the following 10-year period not vacant at all, he would have had a 5 percent increase in occupancy. But the man whose house was rented on the freeze date has had no increase in occupancy. We are the only group that was frozen into a specific position. That is, others could get the highest prices they had gotten in the period.

The next chart shows what has happened to the owner in connection with his costs. These are Government figures and are up to the end of 1945. Plumbing and heating have gone up 18 percent; paint and paint materials, 29 percent; general building materials have gone up tremendously. Lumber has gone up 64 percent.

I had the same identical decorating done to my home last month that was done to it in 1940, and it cost me 110 percent more. That same thing is true throughout the operation.

There has been an increase in municipal expense. The property owners of the Nation pay largely for fire fighting and policing and for the educational bill of the country. There is no definite figure on a national average of taxes for 1946, but you gentlemen know, certainly, that in your towns the fire department expense is going up. In Chicago the firemen have just come to the city authorities and asked for an 8-hour day. They will unquestionably get it. It is a new idea in fire-department operation. We have operated with two platoons for many, many years. Now we are going to have three. That means more cost for the fire-department operation. Our school system is needing more money. Our cities are growing at a terrifically rapid rate. The school board tells me that if we build a hundred thousand units in Chicago this year we will need several hundred more school-rooms; and that means higher taxes.

Local transportation systems are being bought by cities, and that means higher taxes.

In connection with veterans' housing we are spending city money which will ultimately come out of the tax bill.

In Detroit the average tax bill this year is going to be 12 percent higher than last year. The landlord who pays these increased taxes should get some of his money back.

Now, in all fairness, these figures [indicating] were gotten up at the tail end of the year when in some communities there were strikes; but at the time rent is up 4 percent, the take-home pay is up 70 percent.

The take-home pay in bituminous coal is up 150 percent. Yet the rent bill is frozen at 4 percent higher than it was in 1939.

One of the reasons why we have such a threat of inflation—I thought yesterday, when Secretary Anderson said that people were paying more money for automobiles and refrigerators, and so forth, that that had a great deal to do with it.

We do not advocate the abolition of rent control. We would like to show what a 5-percent rent raise means in the United States. Most

of us have no idea how low the actual rental situation is. If we got a 5-percent rent raise, 45 percent of our tenants would be paying less than \$45 rent. If we went to the maximum under this amendment, 70 percent of the tenants would pay less than a dime a day; 26 percent would be paying 20 cents a day; and only 4 percent would pay more than 20 cents a day.

The property owners of the Nation have not had two techniques which almost everybody has used to break price ceilings. The techniques that have been used are, first, the failure to produce; and that has been used by manufacturers; and, second, and the one that has been used to break wage ceilings, is the strike.

The landlord or the property owner of the Nation has not either of those two techniques. If anything is done for the property owner of the Nation—and I believe that every reasonable person must realize the inequity of the present situation—if anything is to be done, it has to be done by this group in the acceptance of an amendment which we believe is sound economically.

Thank you very much.

(The amendment referred to and submitted by the witness is as follows:)

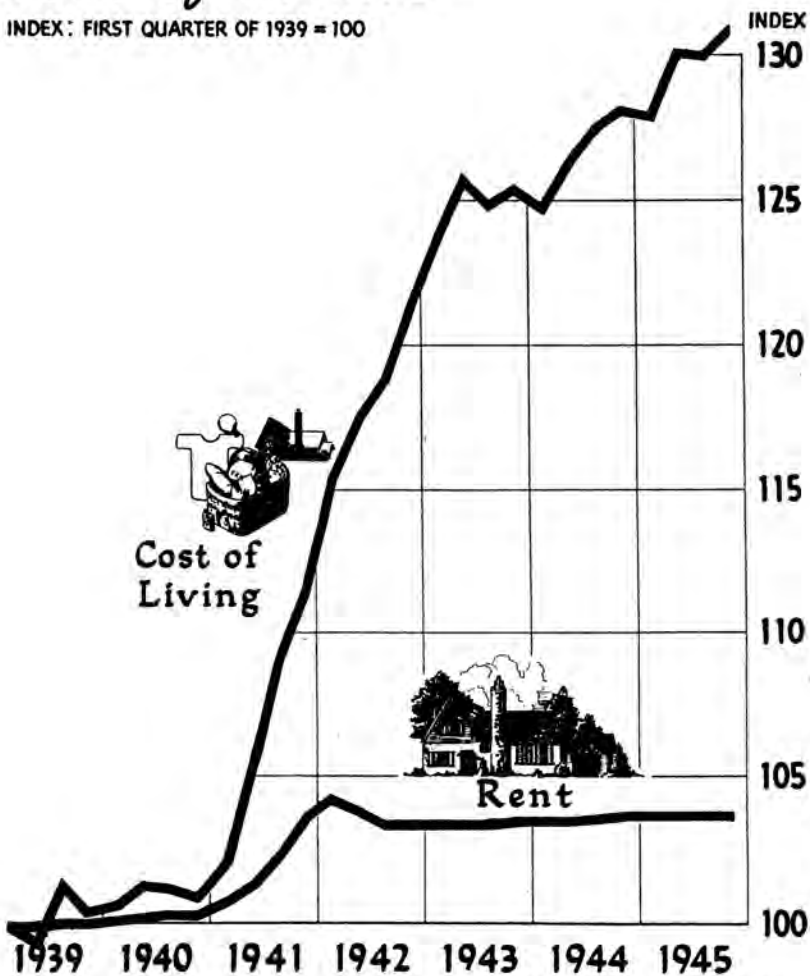
PROPOSED AMENDMENT TO H. R. 6042, IN THE SENATE

On page 6, line 17, strike out "Section 5" and insert "Section 5A"; and at the end of section 5 insert a new subsection as follows:

"(B) Any regulation or order under this section may be established in such form and manner, may contain such classifications and differentiations, and may provide for such adjustments and reasonable exceptions, as in the judgment of the Administrator are necessary or proper in order to effectuate the purposes of this Act. Under regulations to be prescribed by the Administrator, he shall provide for the making of individual adjustments in those classes of cases where the rent on the maximum rent date for any housing accommodations is, due to peculiar circumstances, substantially higher or lower than the rents generally prevailing in the defense-rental area for comparable housing accommodations, and in those classes of cases where substantial hardship has resulted since the maximum rent date from a substantial and unavoidable increase in property taxes or operating costs. Any regulation or order under this section which establishes a maximum rent below the price or prices prevailing for the commodity or commodities, or below the rent or rents prevailing for the defense-area housing accommodations, at the time of the issuance of such regulation or order. The owner of any housing accommodations with respect to which a maximum price or maximum rent has been established by any regulation or order under this section may, at any time after the date of approval of this amendment, file with the Office of Price Administration a statement of the property taxes and operating costs in connection with such housing accommodations, showing the actual amount of increase, if any, in such taxes and costs, between the maximum rent date for such housing accommodations and the date of filing such statement, on a monthly basis, and may file at the same time or at any time thereafter a new rent schedule for such housing accommodations, to become effective at the beginning of the first rental period following the expiration of sixty days from the time of its filing, which new rent schedule may provide for rent increases not exceeding in amount the increase in property taxes and operating costs (including a reserve for deferred maintenance and replacements) shown by such statement, and not exceeding in percentage 10 per centum of the maximum rents for such housing accommodations in effect at the time of filing such new rent schedule. Statements of property taxes and operating costs filed hereunder shall be supported by oath or affirmation of the property owner filing same. Any new rent schedule filed pursuant to his subsection shall become effective according to its terms unless, prior to the expiration of 60 days from the date of filing of such new rent schedule, the Administrator shall issue an order suspending the effectiveness of such new rent schedule on the ground that the statement upon which it is based is false or in error in one or more major particulars."

COST *of* LIVING

INDEX: FIRST QUARTER OF 1939 = 100



Prepared by REAL ESTATE RESEARCH CORPORATION
from BUREAU OF LABOR STATISTICS COST OF LIVING

A National Asset

RENTED

16,334,937 UNITS



**\$62
BILLION**

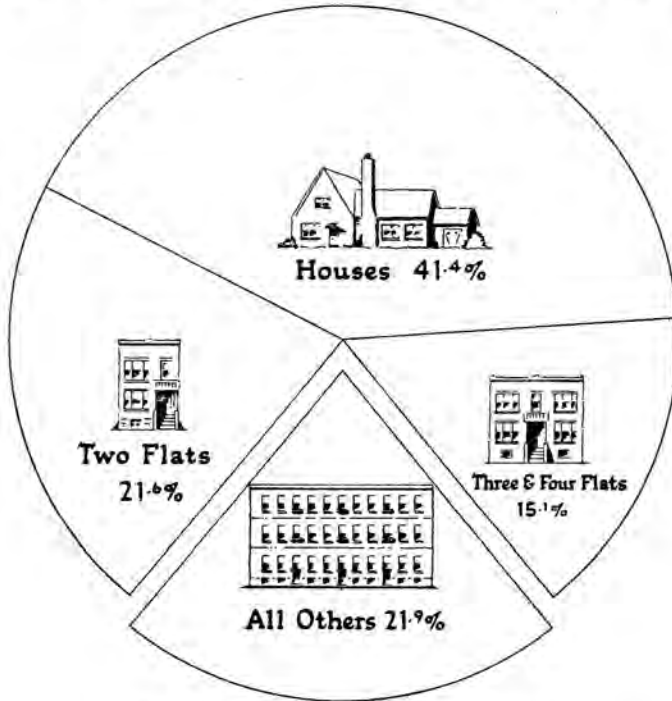


**\$57
BILLION**

OWNER OCCUPIED

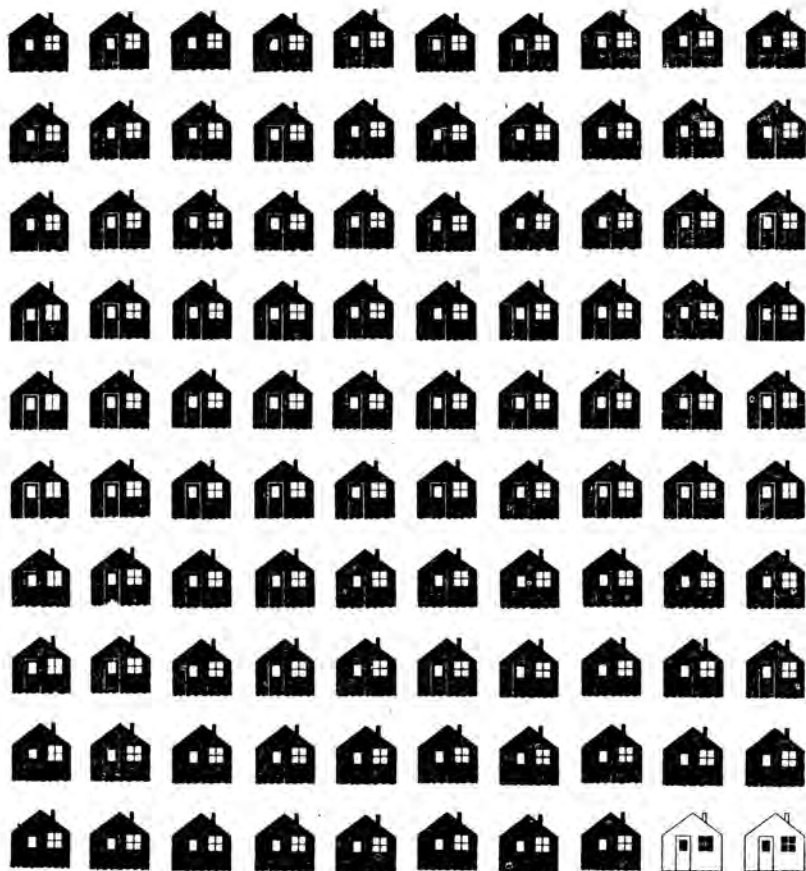
11,413,036 UNITS

OWNERSHIP *of* RENTED DWELLING UNITS



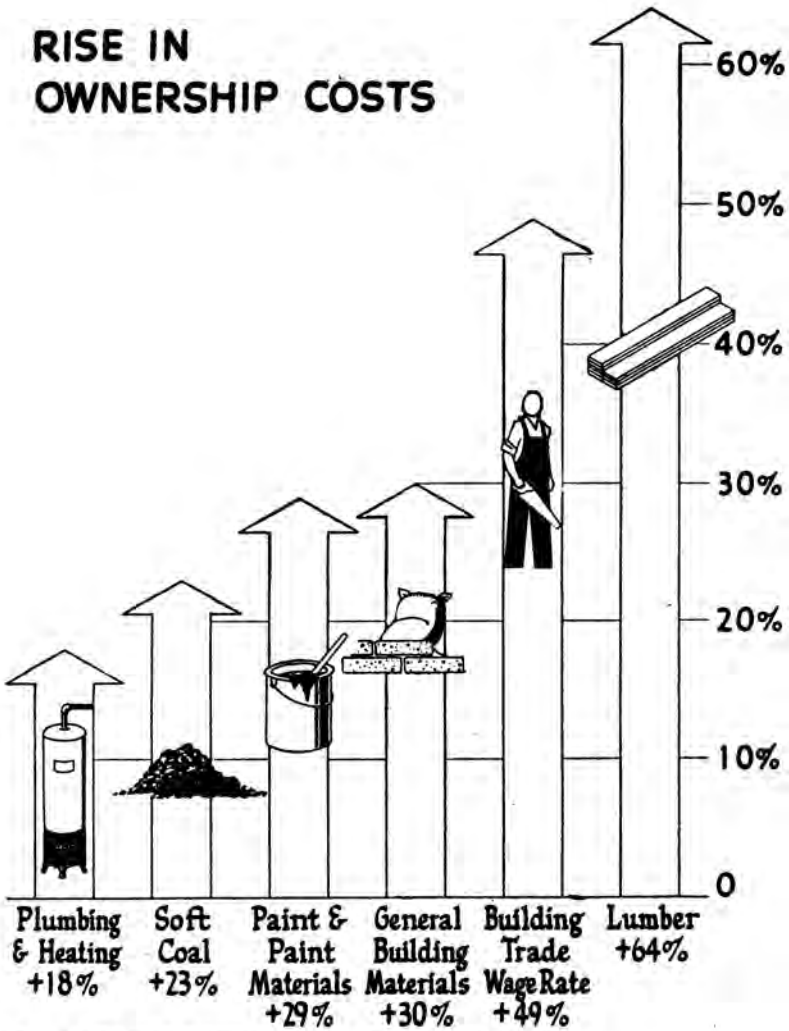
One Family Houses	6,763,881
Two Flats	3,529,585
Three and Four Flats	2,468,819
All Other Buildings	3,572,652
Total Rented Units in U.S.	16,334,937

Prepared by REAL ESTATE RESEARCH CORPORATION from 1940 U.S. CENSUS



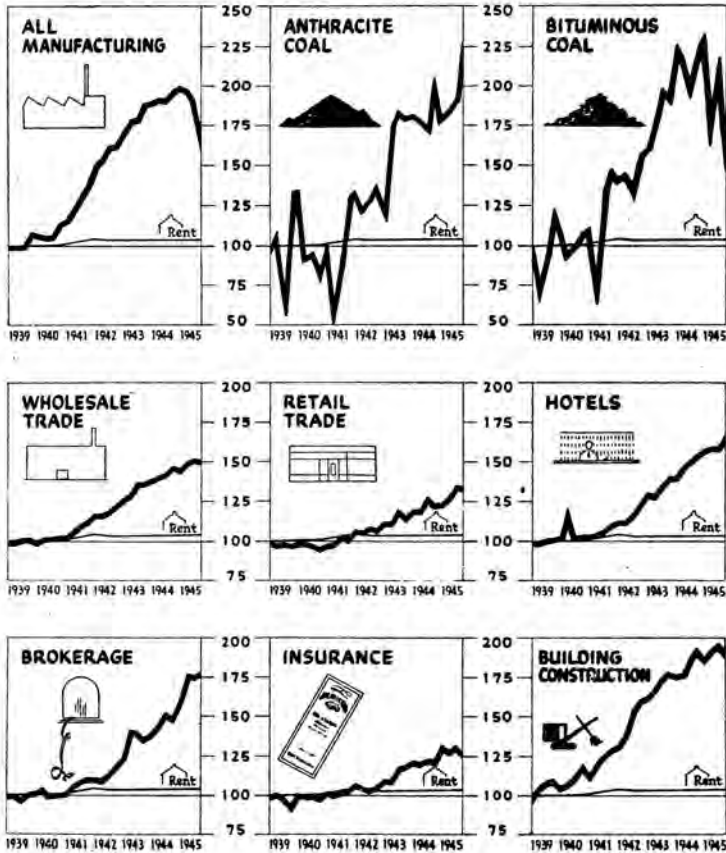
98%
OCCUPANCY

RISE IN OWNERSHIP COSTS



Prepared by REAL ESTATE RESEARCH CORPORATION from BUREAU OF LABOR STATISTICS

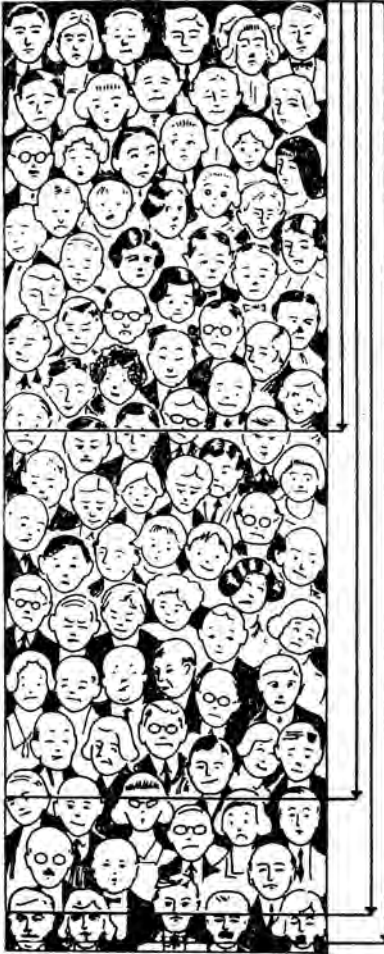
TAKE-HOME PAY EARNINGS vs RENT



Prepared by REAL ESTATE RESEARCH CORPORATION
 from BUREAU OF LABOR STATISTICS SURVEYS
 SHOWING AVERAGE WEEKLY EARNINGS IN
 REPRESENTATIVE INDUSTRIES

A 5% RENT RAISE

means



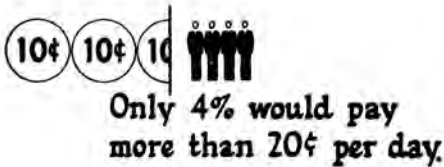
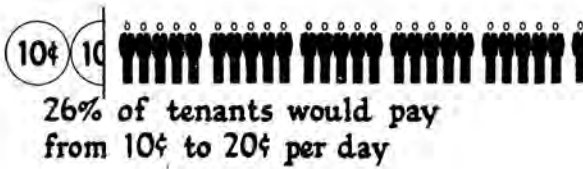
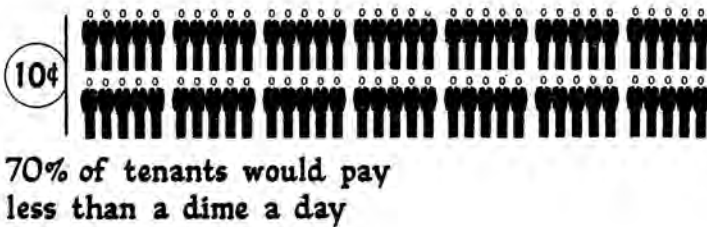
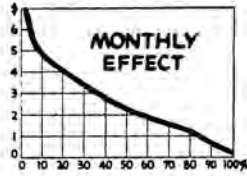
45% less than \$1.00 per mo.

84% less than \$2.00 per mo.

96% less than \$3.00 per mo.

99% less than \$5.00 per mo.

A 10% RENT RAISE



Prepared by REAL ESTATE RESEARCH CORPORATION
from U.S. CENSUS REPORTS

The CHAIRMAN. The next witness is Mr. A. A. Smith, representing the American National Livestock Association.

STATEMENT OF A. A. SMITH, FIRST VICE PRESIDENT, AMERICAN NATIONAL LIVESTOCK ASSOCIATION, STERLING, COLO.

Mr. SMITH. Mr. Chairman and gentlemen of the committee, my name is A. A. Smith. I live at Sterling, Colo. I am a producer of cattle.

I want to digress to say that perhaps an explanation is due the committee. Quite a little of the data that I present was brought out very much more fully by the American Meat Institute yesterday. I am a ranchman, and my facts are presented from my experience as I thought you men should know it, but the American Meat Institute brought it out much more fully and in much more detail than I shall do.

I am here representing the American National Livestock Association, of which I am first vice president.

This organization is composed of State, regional, and individual memberships.

There are 20 State organizations included in our group. These are made up of the 17 Western, or so-called range, States, with the addition of the States of Florida, Louisiana, and Michigan.

Of the January 1, 1946, cattle population of 79,791,000, 40,925,000 were beef cattle, and these 20 States had 27,644,000, or 67½ percent.

This cattle inventory is over 5,000,000 greater than the average for the years 1935-44. In his talk before our convention at Denver in January 1946, Secretary Anderson warned us that our cattle numbers were too large—that range and feed conditions had been favorable, but that less favorable range conditions would be disastrous with our high cattle inventory. All during the war years our production of beef has been on a level substantially above that of any prewar year.

The inventory figures show that while the total cattle numbers are down about 2,000,000, beef cattle numbers are only about one-half million below January 1, 1945. The number of cows and 2-year-old heifers is now at an all-time high, the reduction in numbers being entirely in steers.

I want to digress another minute there. I think it is very important that you men should know something that I think the great bulk of our population does not know, and that is that there are two things that we are considering—beef and cattle. They are not the same. The cattle that we raise are the frames upon which we put beef. I think we were a matter of 2 years getting that through the heads of some of the officials of the OPA. They did not understand that with 80,000,000 we could not ship one-twelfth of them every year or one-sixth of them every year, whatever they wanted.

Senator MILLIKIN. Of the cattle in the Western States what percentage are grass-fed?

Mr. SMITH. That go to market?

Senator MILLIKIN. Yes, roughly.

Mr. SMITH. Senator, I am telling you from memory, now; I may be wrong.

Senator MILLIKIN. Take a rough shot at it.

Mr. SMITH. Our hope ordinarily is to get our shipment of cows up to about 50 percent. That may be wrong.

Senator MURDOCK. Are you speaking of the feeder market or the slaughter market?

Mr. SMITH. I may be wrong, Senator. We have two shipments. Our old cows, the canners and cutters, and a percentage of dry cows, go directly for slaughter. The bulk of our steers and our calves go to the feeders.

Senator MURDOCK. In my own operation I have what are called grass-fed steers. Those steers were purchased largely by you fellows from Colorado that came over there and bought them for the feeder market.

Mr. SMITH. That is right.

Senator MURDOCK. They are fed for 2 or 3 months before they actually go to the slaughter market?

Mr. SMITH. That is correct.

There is another thing I want to mention that is not in my testimony. It was mentioned this morning regarding the great decrease in the number of steers. The Government figures I think do not show it as great.

In 1945 there were 76,600,000 head of steers. On January 1, 1946, there were 72,430,000 steers.

But the thing that I want to point out to you, gentlemen, is the great change, within my own experience and my own knowledge, in the method of handling cattle. Up until 1920 we never put a steer in our feed lot that was less than 3 years old. Now the business has changed to what cattle men call a cow and calf basis, very largely, the big proportion of cattle being fed coming from the range as calves and are fed from 9 to 14 months, going from a weight of about, roughly, 400 pounds, to a weight of 800 to 1,000 pounds.

That, to me, is a strong argument for the abolishment of price control, because a man taking an animal in the fall of this year, knowing that he must keep him until the late summer or the next fall, certainly needs to be able to make a definite long range plan.

I think the reason for the decrease in steers has been that people have been scouring the country for heavier steers; and I think the Senator will bear me out in this. You are from Utah, are you not?

Senator MURDOCK. Yes.

Mr. SMITH. People have been scouring the country for heavier steers because they wanted something that they could get finished and on the market in from 60 to 90 days, because if they could foresee at all what was going to happen they could not foresee for a longer period than 60 to 90 days.

That is not a part of my testimony, but I thought you men should know that.

Senator CARVILLE. There has not been many of that class of cattle in the last few years. The younger ones are taken now?

Mr. SMITH. That is true. Of the cattle you see on the market now there are relatively few of the 3- and 4-year old cattle. The steers that are put into the feed yard are either steer calves or yearling steers, very largely.

We have repeatedly been told that when supplies were adequate there would be no further need of price control. We are also told that consumption of beef per capita is now, and was last year, greater than in prewar years.

During March of this year, there were slaughtered under Federal inspection over 900,000 cattle. The slaughter for the years 1942, 1943, 1944, and 1945 was somewhat larger, but, with the exception of these 4 years, 1946 was largest since 1915. Receipts at seven principal markets for the 3 months ending March 31, 1946, showed a decrease of cattle of about 12 percent from 1945.

Being reasonably sure that shipments from our territory were not going to the market centers as is usual, I asked our railroad agent at Sterling, Colo., to give me the destination of cattle shipped the first 3 months of this year. He gave me the following data.

From January 1, 1946, to March 31, 1946, there were shipped from Sterling, Colo., 588 cars of cattle. Assuming that all shipments whose destinations he gave as Colorado and Nebraska points, all went to the Denver and Omaha public markets, there were left 253 cars, or 43 percent, that did not go to public markets.

To me, it seems reasonable to conclude that total shipments of meat animals have been larger so far this year than in 1945. Considering the shipments which do get to the public markets, another surprising change has taken place.

From the Omaha Daily Journal Stockman, I get the following figures:

1946	Bought by local packers	Percent of receipts	Bought by others	Beef shipped out by others	Percent of packer purchasers
Feb. 26.....	7,332	51	6,915	4,150	56
Mar. 14.....	3,554	51	3,304	2,500	70
Apr. 15.....	2,204	20	8,563	6,100	276
Apr. 16.....	2,419	22	8,105	6,000	248
Apr. 17.....	1,680	21	6,072	4,650	276

Shipments out are given as beef and by carloads, and I have used the figure of 25 head per car.

Senator HICKENLOOPER. Mr. Smith, with reference to these figures that you have given for the Omaha market, while they are not exactly applicable to the 588 cars of cattle from Sterling, Colo., yet these figures from the Omaha market would be comparable to, or representative, I assume, of the number of cars out of the 588 that were shipped to central markets. In other words, the 253 cars that did not go to central markets from Sterling, Colo., would not be included in these figures; is that true?

Mr. SMITH. That is right.

Senator HICKENLOOPER. I will not ask you to pass on this question, but, assuming that the cattle that were not purchased by the central factors at the central market had gone into a black-market operation of one kind or another, would it be reasonable to assume that a great proportion of these 253 cars might have found their way into a black market and have completely circumvented the central market?

Mr. SMITH. That might be a reasonable assumption. I would not know, but I think it would be very reasonable.

Senator HICKENLOOPER. That 253 cars went into some sort of an unrecorded market?

Mr. SMITH. I think so.

Senator HICKENLOOPER. And that these other percentages for April 1946 out of the Omaha market also went into some unrecorded market?

Mr. SMITH. I think that is a reasonable assumption.

Senator HICKENLOOPER. Is that as you understand it?

Mr. SMITH. I would not know that that is true, but I think you might assume that.

Senator HICKENLOOPER. Thank you.

Mr. SMITH. From the Denver Record Stockman, I get the following figures:

	Receipts ¹	Bought by 3 large packers
Monday, Apr. 8.....	7,000	639
Week ending Apr. 5.....	13,800	1,451
Monday, Apr. 15.....	5,000	143
Tuesday, Apr. 16.....	2,700	82

¹ Mostly fat cattle.

Senator MILLIKIN. Were the lots cleared on all those days?

Mr. SMITH. Senator, I think it has been a good many days since the lots were not all cleared of cattle for the market, not only Denver, but all markets.

Senator MILLIKIN. Are these figures for 1946?

Mr. SMITH. Yes, sir. From my knowledge of the Denver market, and I have been familiar with it for 32 years, I know that at this time of year the receipts are virtually all of fat cattle; very little of anything else.

The Department of Commerce says that at the beginning of price control there were in the United States 1492 licensed slaughterers. There were as of July 1, 1945, according to the Department of Agriculture, not counting farm slaughterers, over 26,000 licensed slaughterers.

The bureau, having in charge the payment of subsidies—I do not know what the bureau is, but when we were here before they told us what bureau to call, and that is the bureau we called—they told us that as of February 1946, a little over 12,000 slaughterers were receiving subsidies. This indicates that 14,000 do not claim subsidies.

Now, what is the significance of these figures? They mean to us that while now, and for years past, the legitimate slaughterer has paid us more for our live animals than they obtained for the beef, and has at the same time passed the beef on to the consumer at a profit of less than 1 cent per pound, now much of our beef is going to the consumer at a profit to the black-marketeer, which necessarily disregards the value of the byproduct. Under normal conditions the value of the byproducts is an important factor in holding down the price of beef to the consumer. In the Denver Press of last week the OPA itself reported the purchase of meat by its inspectors at a price in excess of ceiling of from 10 to 70 percent.

Senator MILLIKIN. I invite your attention to the fact that that range of figures coincides roughly with the same range of figures that were produced by the private institute that made a survey of that kind.

Mr. SMITH. Yes. I wanted in the beginning to have you men know that I knew nothing of that testimony.

They also mean that, while over the years, the meat industry, in cooperation with the Bureau of Animal Industry, has been able to assure the public of a supply of meat, healthy when alive and killed and handled under sanitary conditions, now the consuming public can have no such assurance when dealing with the black market, neither have they any protection as to quality.

These things will react on our industry. Our position is vulnerable. The feeder, on whom we have depended to buy our grass steers and finish to the condition to which the buying public has been educated to depend, is not now refilling his feed lots, and is uncertain and fearful of his future operations. The Bureau of Agricultural Economics reports that on April 1, 1946 there were 17 percent less cattle on feed in the 11 Corn Belt States than as of the same date a year ago.

The slaughterers, with their large investment, on which we have in the past depended for a ready cash market for all livestock offered, are losing business to such an extent that their continuance is threatened.

And the housewife, who buys through legitimate channels and whom we must please if we are to continue to get her patronage, in competition with other products, is finding it increasingly difficult to secure a satisfactory and ample supply of meat, forcing her to turn to substitutes.

We have lived through the period when most diagnosticians advised a minimum or no meat in the diet, and have arrived at a period when beef is not only popular with the consuming public, but approved and recommended by the medical profession.

With the approval and at the request of our Government, and in spite of a shortage of manpower and equipment, we have built up a high inventory of cattle. This high inventory has been built up at a time when we have full employment. Now some Government economists go so far as to predict that we may soon have as many as 8,000,000 unemployed.

Surely, it is not the fixed policy of Congress to continue by general taxation to subsidize the consumer to the extent of about \$22.50 per head on our cattle as marketed. If this is taken off at a time of unemployment and falling prices, the life savings of many of our cattlemen will be lost. This artificial situation we now ask Congress to remove.

Never has the consuming public been better able to pay its way.

We have the cattle. Remove these hampering restrictions, and we and our direct customers, the feeders and processors, will give the consumers as rapidly as possible an adequate supply of good beef and at a price which we feel sure will not be higher than that of today.

The CHAIRMAN. Are there any questions?

Senator FULBRIGHT. I would like to ask one question.

We have been told, Mr. Smith, that the feeding of our grain to cattle is the least efficient way to get the full value of that grain for human consumption. The thing that is bothering me is that there is a tendency for the corn and wheat to go into the feeding of cattle, which only increases the shortage of food for the starving areas of the world. That is the problem that has been presented to the committee. Beef is the least efficient converter of grain to useful food for human consumption. Is not that correct?

Mr. SMITH. I think that has very often been said. I think, however, Senator, that you would have a hard time convincing the majority of the American consumers that they should be willing to go without beef in their diet and consume corn bread and corn meal.

Senator FULBRIGHT. There was no question about the taste. I agree with you about the taste. But what we are concerned about is the present shortage of food all over the world as a whole. The people are starving to death. As I understand it, a pound of wheat, used in bread, will produce about 2,400,000 calories, and if it is fed to a beef cow it will produce only a little over 200,000 calories. It is not a matter of taste and choice; it is a matter of starvation that we are concerned with; and I agree with you that we all like beefsteaks.

Mr. SMITH. I am not a scientist, but from what I read and what I hear, the part of our population in our own country—I am not talking about starving Europe—the part of our population in our own country that is the least healthy is the part of our population that consumes almost entirely corn bread and corn pone and fat back. I think the Southern Senators can straighten me out on that, if I am wrong. My information is from reading and hearsay. In other words, I think our medical men will tell us now that we need and have to have the proteins that beef contains to give us an adequate and healthy diet. I do not believe it can be gotten from the consumption of bread, either made from wheat or from corn. That is my belief.

Senator FULBRIGHT. Do not misunderstand me. I am not trying to run down beef as a food, and neither were the people who had this argument. It was simply that in this emergency they wanted to emphasize the use of grain directly by humans rather than through the eating of beef. No one was trying to say that they did not like beef or that it was not a good food.

Mr. SMITH. I just want to say, further, Senator, that I do not know whether we have got as much of a shortage of corn and wheat as we are said to have. There are so many things said. I know that out in my territory, when the story came out that we were very short of corn and wheat to ship to starving Europe, up until that time feeders in our town told me that they were turning away truckloads of corn. When the story came out the farmers did just what any other businessman would do: they thought the market was going to go up, and they stopped, and the feeders immediately had trouble getting corn. Whether corn was short or whether it is just psychology or not, I don't know.

Senator MILLIKIN. Let us assume, without admitting, that there might be some more efficient use made of the grain, you cannot turn the beef industry off and on like you would throw a switch. If you are going to preserve the beef industry you have got to preserve it in a normal rhythm, have you not?

Mr. SMITH. That is a feature that you know, Senator, because you come from a range State, and the Senator from Utah knows this. They told me in Salt Lake City when I was there at the convention a month or two ago that 95 percent of the land in Utah is suitable only for grazing purposes. In Colorado it is not quite as large; but the whole western territory has a tremendous acreage of land that is economical only in the use of it for grazing sheep and cattle.

Senator FULBRIGHT. I thought they grew sugar beets out in Colorado.

Mr. SMITH. We do.

Senator HICKENLOOPER. Mr. Smith, I think probably you have studied this matter much more than I have, but I am quite certain that the statistics show in every study that has ever been made of ultimate food values that human beings get more definite, substantial value out of grain fed through meat animals than they do from the grain itself. That is, they get more proteins and more vitamins, and in the long run the feeding of grain through animals does give that ultimate end result to human beings. There is a contention as to what animals you should put the grain into in order to get the best results, and whether it is more efficiently done through a hog or a cow, but the net result is that the human being gets more substantial food through feeding the grain to meat animals. I think those statistics can be substantiated.

But there is another thing to which I would like to call your attention at this time. A very substantial portion of our agricultural economy is based upon the raising of meat animals. A great number of our agricultural people have invested their life savings in the production of meat animals. From a humanitarian standpoint we have an obligation to help starving people, and we should do it in the best manner and the most efficient manner possible. But I think there is a great economic as well as a moral question involved here, as to whether or not, because we have a humanitarian problem in some foreign country, we should lose sight entirely of the economics of our cattle industry and break every cattle feeder in the United States in order to meet an emergency humanitarian problem which we can probably work out in some other way. It seems to me that we are treading on rather dangerous ground if we take all this corn and wheat out of the market; not that we must not do it in one way or another, but when we do it willy-nilly, without too much program or without knowing exactly what effect it is going to have, we run the danger of breaking financially our cattle feeders and hog feeders in this country that have put their lifetime efforts into this very important field. Sometimes I think that they do not quite take that into consideration. There is a long range economy that we have got to consider in this country.

Mr. SMITH. You have brought that out much better than I could. There is another feature, Senator. I am farmer-born. I have been at this a great many years. Our farmers cannot continue profitably to produce corn and wheat unless they have livestock with it. In a very short time our Iowa farmers, instead of raising a hundred bushels of corn to the acre, or 80 or 90 bushels, would drop down to really a one-crop country, raising probably 10 or 15 bushels to the acre. The two have to go together to make an economical agricultural economy in this country.

Senator HICKENLOOPER. You must have animals to continue a diversified farming operation. You cannot go into one-crop farming without completely wrecking your economy.

The CHAIRMAN. Thank you very much.

(The following was submitted for insertion in the record by Senator Mitchell:)

STATEMENT BY E. F. FORBES, PRESIDENT, WESTERN STATES MEAT PACKERS ASSOCIATION, INC., ON PRESENT GOVERNMENT REGULATIONS AND CONTROLS ON LIVESTOCK, MEAT AND MEAT PRODUCTS, MAY 1946

The members of the Western States Meat Packers Association, Inc., respectfully request your support in seeing that Senate bill 2028 contains a provision eliminating price controls and subsidies on livestock and meat. The membership of the association includes both the large and small independent slaughterers in California, Washington, Oregon, Montana, Utah, Idaho, New Mexico, Arizona, and Nevada.

Those charged with the administration of controls on meat products have failed to accomplish the objectives set up in the Price Control Act by the Congress. This failure has driven the production and distribution of meat products from long-established channels into a vicious black market.

The development of the black market has diverted the flow of livestock and forced old established slaughterers to curtail operations or sell their plants to these new operators. This destruction of legitimate slaughterers has destroyed the source of supply for thousands of wholesalers, restaurants, and retailers, and forced them either to go out of business or patronize the black market. Besides the rapid destruction of the legitimate industry, and the maldistribution of meat, millions of dollars of offal products such as hides, tallow, and glands, needed for medicinal and consumer goods are being destroyed through black-market operations. This deplorable condition is financed by the Government through subsidy payments and the people by paying black-market prices.

The reestablishment of slaughter controls on April 25, 1946, will not stem the tide of black marketing. The latter has become so imbedded in the economic pattern of the livestock and meat industry that no Government agency has the staff to cope with the situation. Therefore, the slaughter controls will not return the slaughter of livestock to normal channels and old-established slaughterers will sink further and further into financial ruin.

The only solution to the present situation would be the elimination of all controls on meat products.

If the Senate does not see fit to remove all controls on meat, then it should provide in Senate bill 2028 the following amendments which were adopted in House Resolution 6042 by the House of Representatives. These are—

First. The amendment which would eliminate \$715,000,000 on meat subsidies on June 30, 1946, and allow meat prices, wholesale and retail, to rise in the amount to compensate for the removal of these subsidies while consumer purchasing power is at its present high level.

Second. They should allow the amendment which would provide for the lifting of price controls when the product of an industry equals the production of the industry in 1941.

Third. Section 3 of the Stabilization Act of 1942 should be amended to provide, as Congress intended it to provide, the cost of processing each species of livestock plus a reasonable margin of profit. This section 3, commonly known as the Barkley-Bates amendment, was circumvented by the Office of Price Administration who adopted an over-all industry profit test, which formula practically freezes one-quarter of the industry at a loss. It adopted the industry profit control method rather than to give to the packers their cost plus a reasonable profit for processing each species of livestock. The language of this section should be amended so clearly that the Office of Price Administration cannot circumvent the intent of Congress in following out the law. Further, it also should provide that the payments under this section should be made currently following each quarterly period. There has been only one payment made under this section during 1945. It is now 2 months past the first quarter of the 1946 packing house year and no payments have been made to date.

We again want to reiterate that there is only one solution to the meat problem as it exists today under present Government regulations and that is to remove the controls and allow livestock and meat to flow again through legitimate channels and the industry to operate on a basis where it does not have to either sustain a financial loss or operate in the black market in order to stay in business.

**STATEMENT OF JOE G. MONTAGUE, ATTORNEY FOR THE TEXAS
& SOUTHWESTERN CATTLE RAISERS' ASSOCIATION, FORT
WORTH, TEX.**

Mr. MONTAGUE. Mr. Chairman and gentlemen of the committee, my name is Joe G. Montague. I reside in Fort Worth, Tex. I am attorney for, and now appear as the representative of, the Texas & Southwestern Cattle Raisers' Association.

The CHAIRMAN. We know you very well, Judge.

Mr. MONTAGUE. Thank you, sir.

The committee had originally scheduled appearances for the representatives of the Joint Livestock Committee for last April 22. But when the gentlemen who were to appear for that organization came to the committee room on that date they learned that the committee had, because of circumstances beyond its control, postponed their appearances until today—May 1—they felt that, since they lived in the western part of the country some fifteen hundred miles from Washington, they could not wait over for 10 days. So they returned home without appearing but two of them left with me prepared statements which they requested me to seek the permission of the committee to file for the record. These two gentlemen were Mr. C. E. Weymouth, and Mr. William H. Yungelas, and they speak for the Joint Livestock Committee, which is an organization that was formed by 134 associations of livestock producers, livestock feeders, stockyard companies, and marketing agencies from every section of this country. I hope that you will allow these two statements to be filed for the record, and I commend these statements to you for thoughtful consideration.

The CHAIRMAN. They may be incorporated in the record

Mr. MONTAGUE. In whatever I say here now I am going to attempt to refrain from making any personal statement at all. I have two propositions that I would like to prove to the committee. The first is that price controls on livestock should not be continued, and the second is that the subsidy program should not be extended with reference to livestock and meat. I am not going to say one word of my own idea about these things. I want to prove those two propositions from the testimony of Government witnesses, and I shall read to you excerpts taken from official transcripts.

When the Government started the program of price controls the announcement was made that price controls would be kept on a commodity only so long as the supply of that commodity was insufficient to meet the demand. It was at that time frequently stated that no effort would be made to maintain controls over a commodity that was in abundant and ample supply. That declaration of policy has been repeated many, many times. It has been repeated in this committee room frequently by high administration officials and by others who have appeared in support of price controls. You can and do hear the same statement made almost every night by some responsible government spokesman over the radio and in public addresses. Therefore, I take it that we may accept that statement to be a correct definition of the Government's acknowledged policy.

At this time a strong effort is being made to continue in effect the price control and subsidy program, as it affects the livestock and meat industry. The people engaged in that industry are opposed to a continuation of the price control and subsidy program in this industry

and are respectfully asking the Congress not to enact legislation that will keep the present program in effect.

We believe that, in order for the advocates of extension of the present programs in our industry to properly support their request, they must, in all equity and fairness, show to you that our industry has not met the test that has always been declared by the administrative officials to be the Government's criterion in determining whether or not a particular commodity should be kept under controls. Stated simply, before there can be justification for an extension of the cattle controls it must be shown that the supply of cattle is not adequate to meet the demand for beef. Those who are seeking to extend the cattle controls have the affirmative on this proposition.

We believe that the highest authority that, under any circumstances, can be quoted on this general proposition is that official who, under our form of government, is entrusted with the responsibilities of the high position of Secretary of Agriculture. The Government should certainly be willing to accept the evidence of the Secretary of Agriculture and we of the cattle industry will do likewise.

Fortunately, for the proper solution of this problem, the Secretary of Agriculture has recently given abundant testimony. The Committee on Agriculture of the House of Representatives conducted extensive hearings, beginning on March 26, and ending on April 12, of this year, the specific purpose of such hearings being to—

inquire into and determine the present condition of the livestock and meat industry.

Secretary Anderson appeared before that committee on April 4. He gave full testimony, and, without the slightest hesitation or reservation we accept his statements on the cattle situation as being the complete answer we have to give to those who want to keep cattle under control.

I will, for your benefit, quote with exactness from the testimony of Secretary Anderson, the references being to pages of the stenographic transcript of that testimony.

Senator MILLIKIN. Have you by any chance brought the transcript with you?

Mr. MONTAGUE. Yes, sir; I have it with me. I think the Secretary's testimony of yesterday, which I also have, is completely corroborative of what he said before the House Committee on Agriculture. I have those if anyone wishes to refer to them.

On page 73 of the transcript before the House committee the following occurred [reading]:

The CHAIRMAN. It looks as though we have sufficient supply?

Secretary ANDERSON. Very ample supply, which we ought to reduce.

Transcript page 81 [reading]:

Mr. COOLEY. Mr. Chairman, I would like to ask the Secretary a question: Is there any scarcity of meat in the country at the present time, in view of the large cattle population which we have?

Secretary ANDERSON. Well, there need not be a scarcity of meat. There is sufficient cattle to produce all the meat we need.

Transcript, pages 81-82 [reading]:

Mr. COOLEY. We never know what the demand is, do we?

Secretary ANDERSON. We have been able to calculate it pretty well here before. But what I am saying is that there is a sufficient supply on the range so that it ought to be able to take care of any demand which the American people may have,

and it would be a good thing if that demand could be supplied; because we have too many cattle on the range now, and I would like to see them slaughtered.

Transcript, page 84 [reading]:

Secretary ANDERSON. Now it has moved up to 175 or more and the demand is still there.

The Secretary was referring to per capita supply of meat.

Senator MILLIKIN. In terms of pounds?

Mr. MONTAGUE. Yes, sir.

Page 113 of the transcript [reading]:

Secretary ANDERSON—

Referring to cattle population—

Today we have 79,791,000 head.

Mr. Chairman and gentlemen of the committee, on this point we cattlemen will rest our case on the testimony of the Government's witness, the Secretary of Agriculture, Hon. Clinton P. Anderson, whose high position in the Government warrants acceptance of his official statements as being the statements of the Government. Not only does he fail to make out a case for the Government's request for continued controls of our industry, but, on the contrary, he clearly, emphatically and unequivocally supports our position that further Government control of our industry is unwarranted and unjustified under the criterion announced by the Government.

One further subject is of vital interest to all cattlemen. The presence of subsidies is now, and, ever since subsidies were started, has been a source of serious worry and confusion to us. We have never liked and do not now like the philosophy of the subsidy. This is a very realistic problem.

In the first place subsidies have been an unbalancing influence in our business. Cattle do not just happen. They result from carefully made plans for breeding and feeding operations. Two things are required—a ranch and a breeding herd of cattle. Both items require heavy investment of capital. Then it requires at least 3 years to produce a beef animal—4 years being better. Under the present subsidy program a very considerable part of our inventory valuation is represented by reflected subsidies. We realize that this part of our inventory is subject to change or complete elimination at the whim of one man, the Price Administrator. No one man should ever have such an influence over the very economic life of an industry. We believe that the subsidy program in the livestock and meat industry should be discontinued on June 30, 1946. There are many reasons why we believe this to be correct. But again, we believe that our high authority, the Secretary of Agriculture, has outlined our position for us, as again I wish to quote from his testimony given before the Committee on Agriculture of the House:

(Transcript pp. 62-68 [reading]:)

Secretary ANDERSON. Mr. Chairman and members of the committee, with reference to the removal of ceilings and subsidies, if you do not mind, I would like to divide that, speaking first of just the removal of subsidies, and then of the removal of ceilings.

I think my attitude on the removal of subsidies is either reasonably well known or can be quite quickly determined. Last August, I began urging that the producer of livestock was entitled to know what the program was likely to be, and that he was entitled to have subsidies removed during a period when there was still an active demand for supplies; otherwise, the entire weight of the subsidy would fall upon him.

In testimony which I gave before the Banking and Currency Committee of the House a few days ago, I introduced into that hearing all of the various communications and proposals that had been made along that line.

As early as September of last year, I had urged the Office of Economic Stabilization to call a meeting of the interested agencies, and Mr. Davis had kindly done so, had brought together the representatives of OPA, OES, the RFC, being a paying agency of the subsidies, and the Department of Agriculture.

At that time, a subcommittee of those agencies was appointed to draft a timetable under which these subsidies might disappear.

We had tentatively prepared in the Department a timetable pointing out that subsidies were of two or three different classes; that, first of all, there was a class of subsidy that was purely incentive, and that if the need for incentive disappeared, the subsidy might disappear, since it was purely something to stimulate extra production during the period of the war.

Secondly, there was another type of subsidy which was part incentive and yet partly a reflection of increased costs; and meat was a sample of that.

The meat subsidy, which averaged—and I am using figures from memory now, but they should be fairly accurate—about \$1.96 straight across the board, about \$1.10 of that was cost of production increase, and the rest of it was stimulation incentive.

Do I have those figures correct?

Mr. REED. Yes, sir.

Secretary ANDERSON. Then there was a third class of subsidy which was purely roll-back or cost-of-production, the butter subsidy being a sample of that.

Now, the Department recommended that before there was any shift in living conditions, which we anticipated there might be with the closing of the war, we announced a timetable, so that everyone, having had due notice, could govern himself accordingly; that we could say to a man that he could expect that on a certain day a certain subsidy would disappear; and that the first group of subsidies, which were purely incentive subsidies, if there was no great demand for that product, might be dropped, for example, from our scale.

There were some subsidies that were purely incentive subsidies we thought ought to be retained; such as soybeans, for example.

But there were other subsidies, such as canned citrus fruit, and so forth, where we felt the subsidy could disappear because there was possibly an abundance of citrus fruit in the country.

Well, the working committee took that original suggestion, and from it prepared a report, which all the agencies signed, recommending a definite timetable for the removal of subsidies.

In that timetable, it was recommended that the meat subsidies should be removed somewhere between the 1st of April and the 30th of June; probably close to the 1st of April.

The hog subsidy was to be in that schedule removed on the 1st of February, but beef subsidies were to be removed probably around the 1st of April or up to the 30th of June.

I need not go into detail, because I think the testimony before the Banking and Currency Committee covers it, but for many reasons we felt it was desirable then to announce what this schedule would be.

I went before the Office of War Mobilization and Reconversion, to its advisory committee, in October, and strongly urged that it be done then, because wage negotiations were being considered, and it seemed to be desirable that the employer and the employee should know what was going to happen to the cost of living in advance, so that the difficulty would not stand in front of us in future negotiations.

In other words, I think it would be too bad to have a strike settled and then at a subsequent date have a price increase in dairy products or in beef or in something else, and then have the workers come back and say, "Well, we haven't achieved what we intended to achieve; we are going to strike over again" and have that period of difficulty in the Government.

I thought it was desirable, therefore, in October, to announce what the program would be. I think it is only fair to say that the other agencies that cooperated in that study were sympathetic, seemingly, to that point of view; and we did prepare a report, which all agencies signed, which did set up a timetable for the removal of subsidies, and which would have taken care of this meat question.

Later on, the food situation took a very great change, because of difficulties in other lands and because the unemployment that had been estimated did not materialize.

It had been estimated that several million people would be unemployed by now, for example; and actually we have perhaps 3,000,000 unemployed, and 2,000,000 are what might be called fractional unemployment, people who are just changing from one job to another.

So that the actual unemployment probably runs not more than a million people above this so-called fractional unemployment, whereas we had anticipated the unemployment might reach 7 or 8 million.

Now, if you have heavy unemployment, you have a drop in national income and you have a drop in demand for meat, among other things; whereas by the failure

to develop any great amount of unemployment, we have a very strong demand for all of these products.

That led the Administration to announce its program for the continuation of subsidies and ceilings until there might be some closer approximation of supply to demand, or until there were other avenues for the expenditure of surplus funds.

I don't need to remind the members of this committee that a man can't buy an automobile or can't buy a radio, or can't buy a washing machine or the things he wants to spend his money for, and therefore his money moves very rapidly into the food market.

There is food available, and therefore there is a steady demand for it. So I think I should say specifically, Mr. Chairman, that it is the opinion of the Department of Agriculture now that the removal of subsidies can wait until some months from now; we hope not too many months from now.

But certainly the removal of subsidies now, in a period when labor disputes are being settled, with a great deal of difficulty, would only inject brand new items into the picture and might seriously cause us difficulty.

I say if they had been taken into consideration when the original adjustments were made and an announcement was made, then, having had a fair warning, nobody could say that he would be damaged by a rise in prices.

The CHAIRMAN. Mr. Secretary, do you think it is proper to subsidize the American food produce at the period in our Republic when we have more money to buy food than we ever had before?

The meat subsidy is more or less a roll-back. You are keeping prewar prices on meat by reason of this subsidy, and you are doing that at the time in the history of our country when the civilian population has more money to go out and buy meat than they ever had before.

Now, to start with, I never did see the justification. Ceiling prices are an entirely different thing, but I am talking about subsidies, rolling back the price of the meat and holding them at prewar levels, at a time when we are raising the wage scales and at a time when we have all this purchasing power in the country, I cannot see why they should not be removed.

Secretary ANDERSON. As I say, Mr. Chairman, I find it very difficult to argue too strongly against you, because some time ago, when we had the question of the lamb subsidies up, it was the position then of the Secretary of Agriculture that the thing to do was to raise the price of lamb 2 cents a pound, as all the people who were in that will remember.

I did that on the theory that lamb was a luxury meat and that the people who were buying it, lamb chops, and so forth, could well afford to pay the 2 cents additional.

The matter was finally resolved by a special subsidy but the recommendation of the Department of Agriculture was quite clear on that for a period of months, and therefore I don't feel that I can reverse the whole position I took and say that it wouldn't be a good thing to remove certain subsidies.

I only say that in this period now, when we have had extreme difficulty getting the steel mills back open and extreme difficulty handling various other types of industrial plants, and when we are trying now to get a series of farm-machinery plants open, I hate to complicate the picture by tossing in some additional cost-of-labor factors.

Transcript page 88 [reading]:

Mr. HOPE. * * * Now, as long as the ceiling prices are kept low through subsidies, you have got a wider spread between the ceilings and the amount that the public is willing to pay, and you give the meat bootlegger, the black-market operator, a greater margin of opportunity to make a profit than you would have if your subsidy were removed and the ceiling went up accordingly, so as to take up the amount that was eliminated when you took the subsidy off.

Am I right or am I wrong on that?

Secretary ANDERSON. I think I would have to concede that there is a very good argument in what you say: If the black-market operator is working, the subsidy gives him a greater advantage than he otherwise would be given.

Transcript pages 90-92 [reading]:

Mr. HOPE. Mr. Secretary, getting back to this question of subsidies again, we are engaged now in this country in an effort to save food for the purpose of the relief of starving people all over the world; and we are asking people voluntarily to save food wherever they can. Do you not think that one reason we are not saving more food is that food is relatively so cheap in this country that there is not very

much incentive, from the standpoint of living costs, at least, to the average individual to save food?

In other words, would we not save more food if we eliminated subsidies and let the consumer pay the full price of the food, so that we would have a little better idea of its value, and to have some additional incentive for saving?

Secretary ANDERSON. The types of food we want to save are fats and oils and wheats primarily at the present time, and there is very little subsidy entering into either one of those.

Mr. HOPE. There certainly is in fats and oils. Fats and oils, edible fats and oils, such as butter and oleomargarine and any kind of animal fats are certainly covered by subsidies.

You have a subsidy on soy beans and all types of vegetable oils. So that it seems to me that you and others are overlooking a possible chance there to secure compliance with the request to save essential foods, when the argument is made that subsidies should be continued.

I cannot help but think that there is quite an element of saving that would take place if foods were more expensive. It would certainly be going against all we know about human nature if that were not the case.

Secretary ANDERSON. I have testified, Mr. Hope, that I think that foods are relatively cheap, and that that relative cheapness has increased the consumption of them.

I think that is about as far as I should go.

Mr. HOPE. Of course, the relative cheapness is brought about very largely by the subsidies, which some of us would like to see eliminated.

Transcript page 95 [reading]:

Mr. COOLEY. I think, Mr. Secretary, Mr. Hope's discussion is very pregnant, because we are going to take subsidies off sometime. Are we going to do it while the demand is increasing, or are we going to wait until prices start down?

Are we going to do it one time or the other? I agree with him we should do it now, while the market will advance and we know it will advance, so as to compensate for the lack of subsidy.

Now, if you wait until foodstuffs start down, if you take it off, then you are going to do what the chairman says you are going to do: Wreck every farmer in the country in the beef cattle business.

I have made an observation. Will you comment on that?

Secretary ANDERSON. I shall, to say that my statements in July, August, September, October, December, and January of this year would indicate the very, desire that you have spoken of. I would like to see them taken off while demand was good. Certainly I would not have started off during July, August, September, and October with a series of suggestions at that time if I did not think that.

That was repeated again yesterday by Mr. Anderson; and Senator Taft questioned him about that.

Secretary Anderson made the statement yesterday that these people had the right to believe that subsidies would be continued. But you will recall that Senator Taft said that no one derived any rights, because no one knew what Congress would do with it. The Secretary said he did not mean that they would have contractual rights.

I doubt if anybody who is not in the livestock business realizes just what that subsidy means to the livestock men and why we are so opposed to it. But I will give you an illustration. It brings out what I am thinking about. I own a thousand head of cattle and I go into a bank. Those cattle on the market are worth \$100 a head. Every cowman I know borrows money. He always has and always will, because God knows they will never have enough money to operate without borrowing. He goes into a bank to borrow money and lays down a list of his collateral and says, "Here is a thousand head of cattle worth a hundred dollars a head." The banker says, "Oh, no. The very first thing is to take off \$39 a head, because that is the reflected subsidy in each of those steers. So your cattle are only worth \$61."

This happens every day and many times every day. The banker says that in addition to that, when the Government goes to monkeying with this thing they are liable to take off more than that, so he will take off about \$60 more. So that the collateral which the cattleman presents to the bank is not worth anything like the market value that those cattle might bring today.

I wanted to bring that out.

Senator BUCK. If Congress does not begin to get these subsidies off sometime in the near future, is it not your opinion that we will have that with us for years ahead, because whenever the subsidies come off the price will go up and the cost of living will go up?

Mr. MONTAGUE. Yes. What I am going to say now is my own comment. If you do not get the subsidies off now, then there will never be as good a time to get them off.

Senator BUCK. There will never be a better time?

Mr. MONTAGUE. There will never be a better time than now to get them off, because the public today, according to all the Government figures and all the Government statements, has great buyingpower today, and the loss of subsidies today would have less effect on the economic life than it would at any other time in our history.

Then, of course, in the cattle cycle the 1st of July is the ideal time to take them off. I do not like to take up the time of the committee, but the cattle cycle is a well-known thing. The cattle year you might say starts the 1st of July, because about that time of the year the movement of grass-fed cattle to the market starts.

We in Texas, and the people I represent, have now nearly a million head of cattle on grass in Oklahoma, in the Osage part of Oklahoma, and in the Flint Hills of Kansas. We always move at least 700,000, and up to a million head, and right now I think our figures are close to a million head, of cattle getting rassed, and they will begin hitting the market in July. That is 1 year's movement.

Shortly after the 1st of July, along in August and September, it has been typical of the cattle industry always, that when these range cattle hit the market about 55 percent of them are ordinarily called two-way cattle; that is, they were in pretty good flesh, but they were not considered quite fat enough for slaughter. So the feeders take them out and put a finish on them by feeding them corn.

It is just like painting your house. You do your framework first and put your finish on afterward.

Senator BUCK. You are concerned about the subsidies on cattle. I am considering them all. To me, there is something indecent about the Government's borrowing money to buy food for your or anybody else. I think it is high time that all of these subsidies should be taken off.

Mr. MONTAGUE. My own personal view, just as a representative American citizen, not representing anybody, agrees with that about a thousand percent, Senator.

There is a next step in the cycle of cattle. Along about the 1st of September the Corn Belt people come out into the range and buy feeder calves. They would get them just about the 1st of November. They would be 11 months old; some 12 months old, or maybe a little more than that, but around that age. They take those cattle and keep them on feed for 12 or 14 months, and when they bring those cattle

in, that, Senator, is where you get your New York steak. When you see that label, the steak is from the long-feed cattle.

There is not a single human being that I know that is engaged in long-term feeding of livestock. I do not know one. There are a great many engaged in short-term feeding, but there is none that I know of in the whole industry who are doing long-term feeding.

That is all I wanted to say about that.

I have some conclusions here that I draw from Secretary Anderson's testimony with reference to subsidies, and the same conclusions can easily be drawn from his testimony of yesterday.

From the foregoing quoted testimony of Secretary Anderson, two things are self evident:

First, he wanted to eliminate all meat and livestock subsidies not later than June 30, 1946.

Second, he was blocked in his effort to eliminate these subsidies by the administration, of which he is a high ranking member.

And when his statement is further analyzed, the effect of it is disturbingly plain to cattlemen. What he says is that the administration has decided that, during times of prosperity and full employment meat subsidies must be employed—which philosophy is exactly opposite to that which was announced as the original justification for the employment of these subsidies. And then, the further regrettable implication is that agriculture will be used as the medium of appeasement to hold other segments of our society in line with a policy that was conceived for war and which some desire to extend for peace. Our part of agriculture dislikes the role of appeasement agency thus thrust upon it.

However, we believe that the testimony of the Secretary of Agriculture, when calmly analyzed, not only fails to make out a case for those who would continue the subsidy program but he has offered positive evidence that such subsidies should be discontinued. Certainly he has said nothing that can fairly be construed as justification for continuation of the subsidy program in our industry.

One further proposition cattlemen wish to make is this: Four years have now gone by since the first effort was made to control the livestock and meat industry by and through regulations and directives. Everyone in the industry knows that, at no time, has there ever been an effective control. Everyone in and out of the industry knows that, at this time, the effort to regulate this industry is a complete failure. The black market controls the cattle and beef industry. You have been given full proof of this fact by other witnesses, but not quoting because of time, Secretary Anderson's testimony fully corroborates this statement. And yesterday his testimony corroborated it again. He did make the definite statement yesterday that legitimate packers could not buy cattle and stay in compliance, because of competition from the black marketeers.

The logical and inevitable conclusion is that this is an industry which, because of its very nature, does not lend itself to the artificialities of regimented controls. And, on this point I again want to give you two specific quotations from the testimony of Secretary Anderson.

Transcript page 106 [reading]:

Mr. PHILLIPS. I have a question I would like to ask the Secretary. If he does not think that the meat situation is getting steadily worse rather than improving? Secretary ANDERSON. I do. I think it is getting steadily worse.

Transcript page 85 [reading]:

Secretary ANDERSON. * * * As long as there is this great flow of money in the country, where people can walk into stores and take-out all the meats that are there on the counter for an average family, you just cannot control the situation.

The cattlemen of the country are in full agreement with the Secretary of Agriculture.

Considering only the evidence of the most responsible witness that could be called by the proponents of the continuation of price controls and subsidies in the livestock and meat industry, it is our belief that the following are the only logical conclusions that can be drawn:

1. Price controls of livestock and meat are unjustified and are not in accordance with the announced policy of the Government.

2. Subsidies in the livestock and meat industry are not justified, and equity and fair dealing require the discontinuance of this program.

3. No plan has been devised that will work an effective control of the livestock and meat industry, and none can be.

In view of these inevitable conclusions, drawn entirely from the Government's highest official in agriculture, we respectfully submit to this honorable committee the firm proposition that the livestock and meat industry should not be subjected to further efforts at control through regulations.

STATEMENT OF WILLIAM H. YUNGCLAS, PRESIDENT OF THE IOWA SWINE PRODUCERS ASSOCIATION

Mr. YUNGCLAS. I am William H. Yungclas, a farmer near Webster City, Iowa. I operate a general livestock and grain farm in central Iowa, raising about 300 hogs per year and keeping 80 to 100 head of cattle. Of the 600 acres farmed, about 200 acres are corn, 150 soybeans, and the balance oats, alfalfa, and pasture. Practically no help has been employed the past 4 years. I am president of the Iowa Swine Producers' Association, a member of the American Pork Producers, Associated, and of the Joint Livestock Committee.

I do not propose to have the solution to the problem confronting your committee, but believe that some of the thinking of an average livestock producer might be helpful. It seems that the present confused feed, food, and livestock situation is a direct result of the continued artificial forces which have been injected into our agricultural production during the war years. Perhaps, they may have been necessary at that time, but since it is past, there is no point in arguing it. Now, with the war over and the crying need of the country being, "on with reconversion and peacetime production," the producer feels justified in unburdening himself of his woes. Chief of these are food subsidies, which have gotten into the public thinking as helps or gratuities to the farmer, but are actually gifts to the consumer. In the granting or withholding of them, the Government has had practically dictatorial power over the producer or processor. They have distorted normal market relationships between grades or different forms in which a product is marketed. Many of them must be collected at the local AAA office, and have the earmarks of a "hand-out" or even political implications. Some are paid to the packer and are supposed to trickle down to the farmer. Others such as flour are paid to the miller and in the recent case of the upward adjustment of wheat price to meet parity, the raise was made im-

mediately following a campaign to get wheat moved with the result that many farmers had sold and the new owner got the benefit.

The worst part of the whole deal is for the Government to be paying a big slice of the city workers' grocery bill in a time of high wages. The farmer feels he is paying the bill for the administration being "cozy" with the labor vote. The entire subsidy program adds to inflation by the simple fact that with food costs low the consumer has more of his income left to add to the inflationary pressure on other merchandise. Getting out from under the subsidies and ceilings without anybody getting hurt too much is one of the farmer's major problems. He is old-fashioned enough to believe that the old law of supply and demand meant something. He sees the effect of illegitimate markets ranging from black to nylon gray on the public morality. This effect approaches the public indifference to laws and regulations of the prohibition days. The reports of excessive black-market prices which the public appears to be willing to pay raises the question in his mind of just how much ceilings are really protecting the consumer. On top of this is his resentment because the consumer is paying this tribute to racketeers when were it not for Government regulations they would be willing to pay it to legitimate dealers and him. The continued piling of word upon word and page upon page of regulation, directive, and order have brought him to the conclusion that the complete elimination of subsidies and price controls on livestock, feed, and livestock products would do more to clear up the chaos than anything.

Livestock numbers are such that if the consumer were to pay his entire food bill instead of having the Government foot nearly two billion of it, he would adjust his purchases to fit the supply at very nearly the present price if all costs were included. As corn rose in price, uneconomical users would drop out of the market, uneconomically produced livestock would be marketed, buyer resistance to higher prices for scarce items, that had formerly been bargains when the Government was paying a sizable portion of the cost, would result in buyers' selection of more plentiful and cheaper foods. High-moisture or low-quality corn or feed grains could be utilized for what they were worth on an open competitive market just like we have always done before the birth of the first directive.

This could be done without wrecking the livestock industry by wholesale liquidation or completely altering the public's eating habit, as has been suggested by some. Only by the use of a livestock system of farming have we been able and can we continue to maintain a sound, continuous agriculture. With approximately 55 percent of the Nation's acreage in pasture, grass, and hay land, it is imperative that livestock must have a major place in our economy.

The intensive production of so large an acreage of intertilled or row crops during these past high-demand war years intensifies the importance of the recuperating by return to hay and grass of much of this acreage that has dropped out of its regular place in a legume rotation. To utilize this added acreage will require an even larger livestock population. Naturally, we want to do everything that is sensible within our power to help those in stricken lands, but liquidating our livestock industry to do it would only spell disaster for all.

The removal of these subsidies and ceilings need not cause a radical change in the producer income, a subject which has been spoken of by some as shamefully high. The farm income through the past years

would reflect no more increase than the proportionate share of the national income if consideration were given the accumulated depletion of the soil resources, and the depreciation of machinery and buildings due to inability to get labor, repairs, and paint. Also to be given consideration are the many added hours of labor of old men, women, and children. Time-and-a-half and double-time pay are considered respectable in some occupations. In addition to all of this, the farmers of the Nation through increased yields, larger acreages and able management gave in return for this income the largest production of agricultural products on record.

Mr. Bowles has often referred to his great desire to remove ceilings when supply and demand reach a balance. It sounds like a rather vague time, but we believe it has arrived. If not, we stand to have a wartime control of sometimes doubtful value attached to our economy permanently.

STATEMENT OF C. E. WEYMOUTH, PRESIDENT, TEXAS & SOUTHWESTERN CATTLE RAISERS ASSOCIATION, APPEARING FOR JOINT LIVESTOCK COMMITTEE, AMARILLO, TEX.

Mr. WEYMOUTH. Mr. Chairman and members of the committee, my name is C. E. Weymouth. I reside in Amarillo, Tex. I am a ranchman—a producer of range cattle. My operations are conducted in that part of Texas which is generally referred to as the Panhandle.

Today I appear before you as the representative of the Joint Livestock Committee which is an organization that was formed some 4 years ago by 134 associations of livestock producers, livestock feeders, stockyards operators, and marketing agencies, from every section of this country. And, in passing, may I say that the purposes behind the organization of this Joint Livestock Committee were twofold. First, producers of livestock from all parts of the country wanted some character of organization to be formed through which individuals could keep themselves informed concerning governmental wartime regulations and orders in order that the maximum amount of accurate information concerning national requirements and expectations would be widespread in the industry and the full cooperation of livestock producers could be obtained, and, secondly, producers desired to have a central agency through which their thoughts, ideas, and suggestions could be transmitted to the proper governmental agency. Producers believed that it would be beneficial to the Nation to have such an organization, and we still believe the same thing.

I am also the president of the Texas and Southwestern Cattle Raisers Association, which organization is one of the members of the Joint Livestock Committee.

On March 1 and 2, 1946, the Joint Livestock Committee met in Chicago, and after a full discussion of the condition of the industry and of the country, voted unanimously to adopt the following quoted resolution [reading]:

The livestock industry, represented by the Joint Livestock Committee composed of representatives of producers and feeders of cattle, hogs, and sheep, and of market agencies and stockyards, in meeting at Chicago this March 2, 1946, is unanimously of the opinion that the Government program of price controls and subsidies as affecting the livestock industry has proven unworkable, unenforceable, and has retarded and is now retarding production of food and thereby interferes

with the reconversion and readjustment program and has not been and is not now beneficial to this country.

We therefore respectfully recommend and urge that the Congress not extend this program beyond June 30, 1946.

Following the action of the Joint Livestock Committee, the Texas and Southwestern Cattle Raisers' Association, on March 23 and 24, met in annual convention in San Antonio, Tex., and unanimously adopted a similar resolution, which reads as follows [reading]:

Be it resolved by the Texas and Southwestern Cattle Raisers' Association in convention assembled, That—

1. We believe that the price-control and subsidy program now in effect and affecting the livestock and meat industry is now not only ineffective but is actually harmful to the welfare of our country.

2. We believe that the actual prices being paid by consumers for meat, as distinguished from ceiling prices, are now higher than average prices would be if the price-control and subsidy program would be discontinued.

3. We believe that our supply of cattle is amply sufficient to meet the demand of the public for meat.

4. We further believe that the ineffectiveness of the present program, which is inevitable, has a most demoralizing effect on the character of the citizenship of this country and is the fruitful source of crime and general disregard of all laws and rules of society.

5. We believe, and assert it is to be a fact, that there is now no valid reason for further continuance of the program of price controls and subsidies as affecting the livestock and meat industry.

While I have not seen the various resolutions adopted by the other organizations that are members of the Joint Livestock Committee, I have information to the effect that every industry organization that has acted on this question has spoken in exactly similar terms. I do not know of any person or any organization of persons in the livestock industry who does not feel that controls of, and subsidies in, our industry, should be discontinued.

And this unanimity of opinion goes further than just the producing segment of the industry. The marketing agencies, the stockyards companies, and all meat packers and processors, including both what are generally referred to as the big packers and the small or independent packers, have expressed exactly similar views and recommendations.

So, the entire industry, from the range producers on through the feeders, the marketing agencies, the stockyards, and the packers, and even the meat retailers are in complete accord, and each and all segments of the industry recommend that, insofar as the livestock and meat industry is concerned, the governmental program of price controls and subsidies be discontinued. It would be difficult—if not impossible—to estimate the number of people joining in this particular recommendation, but I believe that practically all of the 30,000,000 people living on ranches and farms, and all of the people connected with the 600,000 retail stores, and all of the people connected with the meat-packing industry and the marketing agencies and stockyards are in agreement on this recommendation.

The unanimity of the industry is, in itself, a strong argument in favor of the position it has taken. We who are in this industry are, above all else, American. We are not presenting just a selfish viewpoint, but we believe we are presenting a recommendation that, if followed, will well serve the best interests of our country. But, in order for you to have an understanding of our position, I would like

to outline, briefly, a few of the principal reasons why we feel as we do about this situation. These reasons are:

From the inception of the price-control program the announced policy has always been that whenever the production of a commodity reaches the point that the demand is met, then that commodity will be decontrolled. Cattle producers, in spite of almost insurmountable obstacles, the greatest of which has been the governmental control program, have, throughout the war and now, more than met the test of this criterion. Our production of cattle is now termed excessive by the highest authority that could be quoted on this point, the Secretary of Agriculture. Just recently, to be exact, on the 4th day of this month, while testifying before the Committee on Agriculture of the House of Representatives, Mr. Anderson stated that the cattle population of this country was at an excessive, or surplus, level and that he was and is recommending a reduction of cattle numbers. Cattle producers cannot understand why this industry, in view of the known situation, and in view of the announced policy, is still kept under controls that were designed for the avowed purpose of controlling "short" supplies and, according to the Government's own announcements, were never intended to be applicable to surpluses.

2. Our industry is inseparably tied into the meat-packing industry. Whatever affects that industry affects us, and the converse is necessarily true. While representatives of the meat-packing industry will, so I have been informed, tell you of these specific problems, I want to point out to you some of the repercussions we feel in our branch of this general industry as results from the controls attempted to be enforced on our market—the packers.

Normally our fat cattle are sold to packers through marketing agencies located at terminal markets. Our thinner cattle are first sold to feeders located, in the main, in the Corn Belt of the Midwest. Today we can and do sell our fat cattle direct. That is, we have buyers coming to us out on our ranches and farms, buying our cattle for immediate slaughter, and their purchases are not confined to fat cattle. They will take anything. This, of course, operates to our immediate benefit, but we are not so short-sighted as not to see the effect of this practice. And the buyers are new men in the industry. They are not representatives of our old market, the packers, but are buying for newcomers in the slaughtering industry. This is destroying our historical system of marketing. We know that the people who have been our market for years, and the stockyards and marketing agencies that have always been the medium through which we marketed our cattle, are rapidly but effectively being put out of business. And we realize that, when this emergency is over, we will not be able to find these newcomers who, having taken their profits, have gone into other fields, and we will be looking for our old customers and looking in vain because the present program has wrecked them, insofar as beef is concerned. We may be reaping a present benefit but we will pay for this in the future, and we do not like the prospect.

3. In addition to the immediate problems of the range producers, the "feeders" have some of their own. Competitive buying, from new sources, and the price of feed have made feeding operations a most hazardous undertaking, especially when it is realized that there is always an imminent threat of new and different orders and control

regulations which change the prospect of the operators and make it impossible for any man to have even a reasonably intelligent idea about what he may expect from his feeding operations. This situation is clearly illustrated by what happened in 1942, 1943, 1944, and 1945. On each of these years, after the feeders had stocked up with feeder cattle—that is—after they had filled their feed lots, new regulations were issued, and in each instance these regulations operated detrimentally for the feeders. Is it any wonder that feeders, having learned their lesson the hard way, are now very leery about undertaking new operations, especially about feeding to an efficient finish?

4. Mention has heretofore been made of the destruction of the marketing system. This imperils the very economic existence of the terminal stockyards and of all the marketing agencies operating on these yards. For generations producers, stockyards, and marketing agencies have built up a system that worked well. The yards and the agencies rendered producers services that were well worth the cost. Now, under the inefficiency of governmental control, that system is destroyed and the business of the stockyards and marketing agencies has gone to the country direct buyers. The time will come when these yards and agencies will again be needed. Unless controls are lifted so that business can follow its customary channels, the yards and the agencies will not be in existence when we need them and their investments of many millions of dollars will be gone. All segments of the industry join in protesting against this inevitable result of attempted governmental controls.

5. There are two kinds of price controls. One, and this is the one we are dealing with at this time, is the effort of a government to fix price ceilings and to make sales of commodities above those established prices illegal. The other price control, and this is the one we really have, is the control of prices by buyer resistance—which means nothing more than the control of the situation by the immutable law of supply and demand.

Anyone who will today say that the price-ceiling controls edicted by the Government are working in the meat industry is blind to realities. You will, before this hearing is concluded, be given very graphic proof of the real situation, but every shopper in the United States knows that the meat program is a failure and that price controls of meat are an academic fiction that has no foundation on reality. We are actually operating on the buyer resistance plan that is as old as time, and I do not believe any plan can be devised that will change this situation. The fact is that, because of the slight danger of legal complications, prices that are being illegally charged and freely paid for meat are actually higher than they would be on a free market. So, if the Congress would decree the decontrol of our industry, I am convinced a real service would be rendered alike to consumers and producers. And another good result would be that distribution would be equitable.

6. Another reason for our position on this question is the evil effect of the black-market operations. Black-market business is an expensive process. The clandestine operators must and do charge prices that not only exceed the legal ceilings, but also provide for funds for legal difficulties. This is always true, regardless of the commodity. But there is another evil which grows out of these operations that is not to be discounted in its effect on the country. Whenever any law,

or any regulation that has all the force and effect of a law is openly and universally violated with apparent impunity, a contemptuous disregard of all other laws is bred and developed. We have all of us seen this effect as a result of the noble experiment called "prohibition." We all remember that the promiscuous violation of the prohibition laws was accompanied by the worst crime wave this country has ever undergone. That crime wave was a natural result of the open, notorious, and generally encouraged violation of our law. We are seeing a present parallel develop. The magnitude of the black market in meat cannot be easily exaggerated. And the effort at enforcement, if it can be called an effort, is puerile.

It is certain that such illegal conduct, rewarded in such a generous way, will inevitably lead to another period of disregard for other laws and the present meat and livestock regulations can well be termed the breeding ground for a genuine crime wave. This is a situation and a result that no American likes, yet it is just as inevitable as was the crime wave of the roaring twenties. It is axiomatic that an unpopular law cannot be enforced and will not be respected. These meat regulations are unpopular with the entire livestock and meat industry and with the consuming public. It takes two parties to consummate a black-market operation. A seller and a buyer are required. The seller is easy to find. He is generally the newcomer who has entered the trade attracted by the high return that speculative buying brings to the intermediate man in the industry. And the finders are the buyer consumers who, although they may talk one way, they, in reality, constitute the paying half of the black market and by their disrespect of the regulations register their actual disapproval.

7. There is one more major reason for the position of the industry on this question. I mean the presence of subsidies in our business. We have never liked the philosophy of the subsidy. We still do not like it. We realize that, since we have these subsidies in our industry, we, the producers, are in a most vulnerable position. Meat subsidies are being paid, so it was announced at the time the program was inaugurated, for the purpose of aiding the consumer. The extent to which subsidies have been put to use is generally not realized. From an individual standpoint the subsidy reflected in a thousand-pound steer amounts to \$39 per head. And, from an industry standpoint, the amount is \$715,000,000 annually. That is a staggering sum of money and when one realizes that this amount of money may be withdrawn instantly on the whim of the Administrator, or may be changed from one amount to another, or removed from one type of animal and doubled on another, it is no wonder that producers are fearful of this fiction in their inventories and beg to be relieved of this uncertain influence in their economy.

We realize the absolute impossibility of accurately estimating our business. This is brought home every time a stockman goes to a bank or loan company to borrow money. The first thing that the lender does is to discount the inventory of the collateral by the amount of the reflected subsidy, and to be safe, this discounting process is very generous in its estimate of the subsidy. Lenders cannot be criticized for doing this. They have to make this discount in their calculations. And when you realize that it takes at least 3 years to make a good beef animal the amount of this subsidy reflected in inventories is a most uncomfortable sum.

We believe that subsidies should be discontinued June 30, 1946. There are many reasons why we believe this to be true. In this connection we respectfully call to your attention the substance of the Flannagan amendment adopted by the House of Representatives just last week. The Honorable John Flannagan, chairman of the Committee on Agriculture of the House, offered the referred-to amendment after extensive hearings called for the purpose of inquiring into the condition of the livestock and meat industry. His amendment was unanimously approved by the whole committee together with a resolution dealing with the subject matter. A copy of that resolution which incorporates the amendment is hereto attached and your attention is invited to that instrument. We urgently recommend that you take similar action.

If I may, I would again like to cite to you the recent testimony of the Secretary of Agriculture. When he was asked by a member of the House Committee on Agriculture what reason could be given for continuing subsidies in the livestock and meat industry, his reply was most enlightening and disheartening. He stated that he and other high ranking governmental officials had, last fall, agreed upon a program calling for discontinuance of subsidies on livestock and meat starting in February of this year and ending not later than June 30, 1946. But he stated that, since the unemployment situation had not developed as it had been expected to do—that is, the Government had expected to have at least from 7 to 8 million unemployed and actually have only about 1 million unemployed, therefore, subsidies must be continued to keep from upsetting the situation. Analyzing this statement it means that, in times of prosperity and full employment, subsidies must be employed. The philosophy is exactly opposite to that which was originally used as a justification for the adoption of the subsidy program, and we cannot see the logic or the correctness of the present policy. And, in addition to its lack of logic, this present policy is inequitable in that it uses agriculture as the medium for the appeasement of other segments of our society, and we dislike and object to being such a medium as much as we fail to see either logic or equity in the plan.

There are other reasons why we recommend the discontinuance of subsidies in our industry. It is a well-established fact that the country as a whole now has greater buying power than ever before existed. It appears to us as very illogical that, with this condition prevailing, the Government should pay a part of the grocery bill of the public. This is using everyone's money, including consumers' money, to pay consumers' bills. Then we believe that subsidies are themselves an inflationary influence. They are inflationary because—

(a) It is admitted that one of the greatest inflationary influences is the abundance of money in circulation. Every dollar that the Government puts out by way of subsidy is a new dollar off of the printing press. So, subsidies add to the sum of money in circulation, and are therefore inflationary.

(b) Another cause of inflation is the cheapness of food. It has been stated that today the consumer is paying the smallest percentage of his income for food that has ever been recorded in history. Subsidies are largely responsible for this fact. On April 4 of this year, Secretary Anderson dealt at length with this subject in his testimony before the House Committee on Agriculture. Since an abnormally small per-

centage of income is used for food which is in abundant supply a larger percentage of the income is left for the competitive buying of commodities that are in short supply. That is inflation.

8. Before concluding, may I point out one further very pertinent fact. Over 4 years have passed since the first effort to control the livestock and meat industry by regulations was instituted. There have been issued at least 110 general orders or regulations that affect the industry, and these orders have been amended at least 1,100 times. And today we have the most chaotic, the most illegal, and altogether the most disgraceful condition in our industry that we have ever had. No doubt the Government used the best brains it could find to work on the meat plans—all to no avail. Confusion has begotten confusion, and it is getting steadily worse. Is not the present condition positive and convincing proof that the livestock and meat industry is an industry that is not susceptible to artificial controls such as price ceilings and subsidies?

We believe that no plan can or will work that seeks to impose the artificialities and unrealities of the dogmatic philosophy of price controls by regulations in the livestock and meat industry. Facts sustain our judgment, and again I wish to quote from the testimony of Secretary Anderson. In dealing with this general situation he stated, and I am quoting verbatim:

As long as there is this great flow of money in the country, where people can walk into stores and take out all the meats that are there on the counter for an average family, you just cannot control the situation.

We of the industry fully agree with the Secretary of Agriculture in saying that no plan has worked and none will.

Therefore, Mr. Chairman and gentlemen of the committee, it is our earnest and sincere recommendation that any bill you report out of this committee contain unequivocal language excluding from the price control and subsidy program all livestock and meat.

(The following resolution was submitted for the record:)

IN THE COMMITTEE ON AGRICULTURE, HOUSE OF REPRESENTATIVES

RESOLUTION

Whereas the Committee on Agriculture of the House of Representatives has just completed extensive hearings which were held for the purpose of inquiring into the present chaotic condition of the livestock and meat industry; and

Whereas during the course of such hearings testimony was presented to this committee by the Secretary of Agriculture, the Office of Price Administration, and by representatives of all segments of the livestock and meat industry, including representatives of (1) producers of cattle, hogs, and sheep; (2) feeders of cattle, hogs, and sheep; (3) livestock-marketing agencies; (4) stockyard operators; (5) packers, including what are generally known as the "big packers" and other slaughterers generally known as "small" or "independent" packers; and

Whereas, in general, the testimony revealed the following facts:

(a) There is an ample supply of livestock in America. Our cattle population is close to 80,000,000 head, which is some eight to ten million head above prewar levels, and the Secretary of Agriculture has been advising producers to reduce their herds by culling out the poorer grades. The hog population is around prewar levels. There seems to be no doubt about our supply of livestock being sufficient to meet our normal demands for meat.

(b) The legitimate packers and slaughterers cannot comply with the regulations set up by OPA governing price, weight, and grade of livestock. The regulations simply impose the impossible upon the packers and slaughterers. Not being able to comply has resulted in thousands of small packers going out of business and the large packers running their plants from 10 to 50 percent of capacity. This in turn has resulted in the black-market operators

stepping in and practically taking charge of the meat industry, until today we find (1) the legitimate buyers are being forced off the cattle markets by the bootleggers paying prices they are unable to pay and stay in compliance, (2) increasing the number of slaughterers since OPA regulations went into effect from 1,492 to 26,665, (3) destroying the livestock marketing system that has been set up and established over the years, and (4) in forcing the American housewife to pay on an average some 10 to 11 cents per pound above ceiling prices for the greater part of the meat purchased; and

Whereas the witnesses representing producers, feeders, market agencies, stockyard operators, and packers, large and small, were of one voice in recommending the removal of both price ceilings and subsidies with respect to the production, sale, and distribution of livestock and meat, in which view a great majority of the committee concurred, but were further of the opinion that if this could not be accomplished, then that subsidies should be removed and a corresponding increase made in the retail ceiling prices of meat; and

Whereas the committee, after due consideration, could not reach an unanimous agreement as to the removal of price ceilings due to the fact it was not fully advised just what effect such action would have upon grains, is of the unanimous opinion that subsidies should be removed and a corresponding increase made in ceiling prices. In support of this conclusion the committee respectfully presents the following facts:

Compliance with such regulations is virtually impossible and is largely a game of chance. Whether a purchaser of cattle is in compliance or is a law violator depends upon two guesses which he is forced to make at the time live cattle are purchased. First, he must estimate the amount of meat the cattle will yield after they are slaughtered and, secondly, he must guess the grade that a Government grader will place upon the meat. If he makes a mistake and guesses wrong on either of these he is in violation of the regulations and is subject to penalties in the form of loss of subsidy payments, injunction suits, fines, and imprisonment.

The extreme difficulty in complying with these regulations is shown by the fact that there is as much as \$20 per head difference, from a compliance standpoint, between two adjacent grades of beef and that fully 30 percent of the cattle are what is known as "liners," that is, they could easily fall within either of two grades. For example, two packers could buy 100 steers of similar quality at the same price. The beef of one is graded A and he is in compliance and the beef of the other is graded B and he is out of compliance and a violator—or one packer might receive a dressed weight yield of 61 percent and the other a yield of 60 percent—and again the packer with the 61 percent yield is in compliance and the one with a yield of only 60 percent is out of compliance and a violator.

Automatic penalties are imposed by OPA regulations for mistakes in guessing by the withholding of subsidy payments. Subsidy payments are withheld as follows:

Ten percent if the cost of cattle exceeds maximum permissible cost by an amount not in excess of one-fourth of 1 percent.

Thirty percent if the cost of cattle exceeds the maximum permissible cost by an amount in excess of one-fourth of 1 percent but not in excess of 1 percent.

Sixty percent if the cost of cattle exceeds the maximum permissible cost by more than 1 percent but not more than 2 percent.

One hundred percent if the cost of cattle exceeds the maximum permissible cost by more than 2 percent.

Meat subsidies instead of stabilizing prices are, in fact, fostering the black market. This is in part due to the fact that retail price ceilings by virtue of subsidies have been fixed so low in relation to the actual prices which consumers are willing to pay that at present most sales of meat are made at black-market prices. This is demonstrated by the facts obtained through an independent market survey of 11 cities, including New York, Newark, New Jersey, Providence, Washington, D. C., Chicago, Indianapolis, Milwaukee, Memphis, Houston, Denver, and Los Angeles. This survey shows:

(1) That 83 percent, or 5 out of every 6, of the 1,803 stores visited in 11 cities were selling meat at prices in excess of Office of Price Administration ceilings.

(2) That 68 percent, or two-thirds, of the meat purchased from the 1,803 stores averaged 11 cents per pound, or 29 percent, above Office of Price Administration ceiling prices.

(3) That the average overcharge on all meats purchased, including that purchased at ceilings and that purchased below ceilings, was 20 percent, showing that the consumer on the average must spend \$1.20 to obtain a dollar's worth of meat at the Office of Price Administration ceiling prices.

(4) That if the amount paid for meat above the ceiling is as great throughout the entire country as it is in the 11 cities surveyed, consumers are paying \$1,550,-000,000 in excess of Office of Price Administration ceiling prices annually.

Meat subsidies and their use to obtain compliance with Office of Price Administration price ceilings are disrupting and destroying the entire livestock marketing and distribution system and are fostering the black market. The evidence shows:

(1) That in 1939 there were 1,492 meat-packing companies in the United States doing a business of \$5,000 or more annually. In contrast to this figure, the Department of Agriculture reports show that in July 1945 there were 26,665 packers and commercial slaughterers in the United States. This does not include farm slaughterers.

(2) That notwithstanding the unprecedented marketing of cattle and calves during the period from 1941 to 1945, the period during which price control and subsidies came into being, the slaughter of cattle and calves by theretofore federally inspected plants increased only 10 percent between 1941 and 1945. In contrast, other slaughter and disappearance of cattle and calves during the same period increased 70 percent.

(3) That many of the large packing plants located at the terminal markets are presently operating at less than 50 percent of capacity, and at times cattle slaughter has been reduced to only 10 percent of capacity.

That meat subsidies have created an atmosphere of confusion, uncertainty, and fear in the minds of producers and feeders of livestock. This confusion, uncertainty, and fear is shown by the following facts:

(1) The entire amount of the meat subsidy, totaling approximately \$700,-000,000, is reflected directly in livestock values and prices. This has resulted in an artificial price structure for livestock because a substantial portion of the value of the livestock is predicated on a subsidy. Approximately 10 to 20 percent of the inventory value of each steer and approximately 12 percent of the inventory value of each hog is represented by a subsidy. Subsidies, therefore, in the minds of the producers represent a potential and very substantial "possibility of a break" in livestock prices, which, for example, on choice cattle amounts to as much as \$3 per hundredweight. A break in cattle prices to such an extent would mean bankruptcy for most producers. The removal of subsidies would remove this fiction from the price structure and would restore the confidence of producers.

(2) Adjustments and threats of adjustment in price ceilings and subsidies are made from time to time which create additional hazards and risks for producers. This is illustrated by a proposal made in February to reduce ceiling prices of heavier hogs by 50 cents per hundredweight, although producers had been told that no change would be made in ceiling prices on hogs prior to September 1, 1946. The proposed action was not taken, but hog producers were again informed on March 3 that the Office of Price Administration was considering lowering the subsidy on heavier-weight butcher hogs sometime before September 1. Announcements such as these tend to keep producers in a continuous state of confusion.

(3) Meat subsidies interfere with financing operations of producers and feeders because banks and lending agencies refuse to recognize the fictional values created by subsidies, and such agencies discount the proportion of the inventory value which is reflected by subsidies.

(4) Many producers and feeders of livestock are limiting or curtailing their operations, the ultimate result of which will be to reduce the supply of livestock and meat available in the future; and

Whereas the committee, based upon the evidence adduced in the course of these hearings, is of the opinion that the present chaotic condition of the livestock and meat industry will not be corrected until such time as ceiling prices and subsidies can be eliminated, it is of the unanimous opinion that the elimination of meat subsidies with a corresponding increase in maximum price ceiling on meat to the extent necessary to compensate for the elimination of subsidies will contribute greatly toward stabilizing the livestock and meat industry and correcting many of the evils affecting it (1) by eliminating the confusion, uncertainty, and fear which subsidies have created in the minds of producers and feeders through the establishment of abnormal price relationships between livestock and meat; (2) by facilitating a return to normal marketing methods in connection with the sale and purchase of livestock and the distribution of meat; and (3) by depriving black marketeers of a \$700,000,000 market within which to operate and by furnishing consumers with meat at prices no higher than the actual prices now being paid and at the same time saving \$700,000,000 in taxes: Now, therefore, be it

Resolved by the Committee on Agriculture of the House of Representatives, That this committee does endorse and approve the following proposed amendment to

H. R. 6042, a bill to amend the Emergency Price Control Act of 1942, as amended, and the Stabilization Act of 1942, as amended, and for other purposes, which is now pending before the House, to wit:

That H. R. 6042, a bill to amend the Emergency Price Control Act of 1942, as amended, and the Stabilization Act of 1942, as amended, and for other purposes, be amended as follows:

(1) Amend section 5, page 6, line 23, by striking out "Meat, \$715,000,000."

(2) Amend section 5, page 7, line 22, by inserting in line 22 after the word "That" the following: "no funds heretofore or hereafter appropriated to, borrowed under congressional authorization by, or in custody or control of any governmental agency, including Government owned or controlled corporations, shall be used to continue any existing program, or to institute any new program for the payment of subsidies on livestock or meat derived from livestock, or for the purchase of such commodities for resale at a loss thereby subsidizing directly or indirectly the production, sale, or distribution of such commodities, except that nothing contained herein shall prevent the payment of obligations created under existing programs which accrued prior to June 30, 1946: *Provided further*, That in order to prevent a reduction in livestock prices upon the elimination of meat subsidy operations, the Administrator shall make corresponding increases in maximum prices of meat and meat products to the extent necessary to compensate for the removal of such subsidies: *And provided further*, That".

The CHAIRMAN. Thank you very much, Judge.

We are going to take a recess now until 2:30, at which time I hope every Senator will be present. We have got to finish a long list of witnesses. Mr. Wilbur LaRoe is going to be the first witness when we reconvene.

(Whereupon, at 12:30 p. m., a recess was taken until 2:30 p. m. of the same day.)

AFTER RECESS

(The recess having expired, the committee met again at 2:30 p. m., and proceeded further with the hearing, as follows:)

Senator TAYLOR (presiding). The committee will come to order, please. Our first witness is Mr. Wilbur LaRoe, Jr., of the National Independent Packers Association, and I would like to say that we have eight witnesses who are supposed to be heard this afternoon, and we have a little over 2 hours in which to do it. That would be 15 minutes for each one, and we will appreciate it a lot if you will keep to about that limit.

Mr. LAROE. I will do my best. It would help me—I do not object to questions, but if they could be reserved to the end it would help, I think, in getting through.

STATEMENT BY WILBUR LAROE, JR., GENERAL COUNSEL, NATIONAL INDEPENDENT MEAT PACKERS ASSOCIATION

Mr. LAROE. My name is Wilbur LaRoe, Jr., general counsel of the National Independent Meat Packers Association. If the committee please, I appear on behalf of National Independent Meat Packers Association, with nearly 800 members located in all parts of the United States. We represent the so-called "independent packers," the big packers not being members of our organization.

We have felt throughout the war that the Office of Price Administration was an important war agency of the Government. We believe that the prevention of inflation was an essential part of the war effort and that on the whole the Office of Price Administration succeeded in preventing inflation. We therefore favored price control during the emergency when others opposed it.

But now meat price control has completely broken down. Today we have price fixing without price control. It is a very bad thing for America to have Federal regulations in effect which are generally ignored. Meat prices today are controlled, not by the Office of Price Administration but by the black market. The situation is so bad that I am pleading for the saving of this great industry which is being ruined today by a situation which the Office of Price Administration has proved utterly unable to control. I do not mean this as a reflection on the Office of Price Administration, because I do not believe that any Federal agency, however efficient, even if equipped with an army of inspectors, could police the purchase of cattle at every farm gate and at every country auction and at every stockyard and at every packing plant and at every retail counter.

Since the termination of the war the black market has become worse instead of better. I do not exaggerate when I say that it is absolutely impossible for the average beef slaughterer to purchase beef cattle today in competition with the black market. All beef slaughterers throughout the country are in a desperate condition due to their inability to obtain beef cattle. You would not think this would be true of the great State of Texas, yet I have a telegram from our former vice president, Mr. J. E. O'Neill, of San Antonio, stating that 90 percent of the beef in his territory is in the black market. The Texas beef slaughterers are having just as difficult a time as are slaughterers in other parts of the United States.

The present situation is unfair to the honest farmer or producer, because his competitors who are less honest are able to sell to the black market at fancy prices. It is unfair to the legitimate feeders because they have to obtain their cattle, if they can get them, in competition with the black market. And let me say that the position of the feeders is going to be tragic in view of the feed situation. The meat packer also suffers, and he is really suffering cruelly, because of his inability to buy cattle in competition with the black market and also because under OPA regulations he is heavily penalized in loss of subsidy if he makes a wrong guess as to the grade of cattle which he purchases. The situation is unfair to honest retailers, because of the enormous extent of the black market at the retail level. And, finally, it is unfair to the honest housewife, because she finds the legitimate stores which she patronizes almost bare of good beef, and because she must enter the black market to obtain good cuts of meat at exorbitant prices.

The unfortunate part of it is that there is a reasonably abundant supply of beef cattle. There are nearly 80,000,000 head of cattle available. This morning, if the Senators please, there was some question about the number of cattle available, and with your permission I would like to incorporate in the record a table from the United States Department of Agriculture's figures showing just the number of cattle available.

Senator TAYLOR. It will be incorporated in the record.

(The table referred to is as follows:)

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 1233

[In thousands]

Year	Total cattle	Hogs	Milk cattle	Year	Total cattle	Hogs	Milk cattle
Jan. 1—				Jan. 1—Con.			
1920.....	70,400	60,159	21,455	1934.....	74,369	58,621	26,931
1921.....	68,714	58,942	21,456	1935.....	68,876	39,066	26,082
1922.....	68,795	59,849	21,851	1936.....	67,847	42,975	25,196
1923.....	67,546	69,304	22,138	1937.....	66,098	43,083	24,649
1924.....	65,996	66,576	22,331	1938.....	65,249	44,525	24,466
1925.....	63,373	55,770	22,571	1939.....	66,029	50,012	24,600
1926.....	60,576	52,105	22,410	1940.....	68,197	61,115	24,926
1927.....	68,178	55,496	22,251	1941.....	71,461	54,256	25,478
1928.....	57,322	61,873	22,231	1942.....	75,162	60,377	26,398
1929.....	58,877	59,042	22,440	1943.....	79,114	77,736	27,106
1930.....	61,003	55,705	23,032	1944.....	82,364	83,852	27,656
1931.....	63,030	54,835	23,820	1945.....	81,909	59,759	27,674
1932.....	65,801	59,301	24,896	1946.....	79,791	62,344	26,785
1933.....	70,280	62,127	25,936				

Source: U. S. Department of Agriculture.

Mr. LAROE. I call your attention to the fact from this table that in the twenties it was around 65,000,000, in the thirties it was just about the same, in the forties it got a little above 70,000,000, and now it is almost the highest in history, at close to 80,000,000 head.

Senator MITCHELL. Do you agree with the statement of this morning that there are fewer cattle than there were during the First World War period?

Mr. LAROE. No; I cannot believe that, if you take the sum total. He tried to break it down into classifications, and those figures I do not have, but my figures are based on the total available.

Senator MITCHELL. Even subtracting your last column, would you bear out the statement?

Mr. LAROE. Yes; the last column, if the Senator please, are figures which are included also in the first column; but I show the dairy cattle separately in the last column. But you will notice, however you look at it, we are not bad off for our meat supply; and that is what Secretary Anderson meant when he told you that there ought not to be a shortage of meat. There ought not to be. Well, then, why is there? I think we have the answer to that. There are nearly 80,000,000 head of cattle available. The Department of Agriculture estimated for the year 1946 that there would be 150 pounds of meat of all kinds available to the average civilian as compared with the 130 pounds before the war, after taking care of the needs of UNRRA and the armed forces. In the last few days an allocation to civilian consumption of 132 pounds has been announced for the second quarter of the year—this is always a low quarter—but the Department of Agriculture expects civilian consumption to be higher than this figure. Of course, the second and third quarters normally see a lower consumption of meat and the Department's estimate of 150 pounds for civilians this year still stands.

I wish the committee would distinguish between a shortage of meat and a shortage in legitimate channels. There is a terrible shortage in legitimate channels. There is such an abundant supply of cattle that

the Secretary of Agriculture has been advising producers to reduce their herds by culling out the poorer grades. The hog population is about the same as the prewar level. The conclusion of the House Committee on Agriculture was that—

there seems to be no doubt about our supply of livestock being sufficient to meet our normal demands for meat.

Now, gentlemen, that is true—a formal finding by that committee.

The tragedy of it is that we are paying \$715,000,000 a year to maintain the black market and to maintain the fiction of price control.

This money is being thrown away. It creates an artificial demand for meat because the subsidies are paid in part to cover a roll-back in prices. The lower you get the price, the greater the demand. With the heavily increased purchasing power of the people, there would have been in any event an increase in the demand for meat, but this demand has been artificially stimulated and increased by the subsidies and the price roll-backs.¹

I think it is obvious that the lower you get your prices the greater your demand, and when we roll back the prices with subsidies we are automatically swelling the demand for meat.

The subsidies are doubly dangerous because the black market feeds like a vulture on the difference between the legitimate price and the illegitimate price. The lower you drive down legitimate prices, the greater the opportunity of the black market for a profit. If subsidies were knocked out, the black market would be less successful.

The black market has been greatly encouraged by an enormous and unnecessary increase in the number of slaughterers. Prior to the war there were less than 2,000 legitimate slaughterers. The House Committee on Agriculture uses the figure 1,492. For reasons best known to itself the Department of Agriculture authorized approximately 25,000 additional slaughterers—a number so large that to police all of them was absolutely impossible.

Senator MITCHELL. I note that this statement was written with the date of delivery April 22. That was before the new control order went into effect.

Mr. LAROE. Yes, sir.

Senator MITCHELL. How many slaughterers do you estimate will be licensed and given allocations under the new order?

Mr. LAROE. I wish I could estimate it. I do not have that figure. Our conviction regarding that, Senator, is expressed in a resolution adopted by the Eastern Meat Packers Association, a copy of which I would like to have incorporated in the record, and only one paragraph of which I will read:

Be it resolved, That the Eastern Meat Packers Association, Inc., expresses its profound regret that these agencies have seen fit to impose this quota system against the recommendations of virtually the entire industry, and also of their failure to carry out the intent of the Congress, that there should be bona fide and effective cooperation between these agencies and the industry advisory committees of OPA: * * *

¹ The House of Representatives on Wednesday, April 17, 1946, adopted the amendment of Chairman Flannagan, of the House Committee on Agriculture, to the Price Control Act which terminates all livestock and meat subsidies effective June 30, 1946.

(The full text of the resolution referred to is as follows:)

EASTERN MEAT PACKERS ASSOCIATION, INC.

Corporate address: Hotel Pennsylvania, New York, N. Y.

Secretary's office: 1420 K Street NW., Washington, D. C.

RESOLUTION APPROVED BY UNANIMOUS VOTE AT THE MEETING OF APRIL 19, 1946

Whereas slaughtering quotas are bad for the meat-packing industry, and impossible of enforcement; and

Whereas the Office of Price Administration, acting jointly with the United States Department of Agriculture, after finding the meat industry in utter chaos as a result of the many regulations and their failure to enforce them, have now announced the promulgation of a new quota system, and

Whereas the new quota system was ordered into effect against the unanimous opposition of the industry advisory committees appointed by OPA; Therefore, be it

Resolved, That the Eastern Meat Packers Association, Inc., express its profound regret that these agencies have seen fit to impose this quota system against the recommendations of virtually the entire industry, and also of their failure to carry out the intent of the Congress, that there should be bona fide and effective cooperation between these agencies and the industry advisory committees of OPA; and be it further

Resolved, That the Eastern Meat Packers Association, Inc., go on record as favoring a licensing system for the industry under which slaughtering would be confined to those who were in bona fide operation on December 7, 1941, and such successors of such operators, other than chain stores, who can show substantial compliance with all lawful price and subsidy regulations.

CERTIFICATE

I hereby certify that the above resolution is a true and correct copy as it is recorded in the minutes of the meeting of April 19, 1946.

[SEAL]

B. HERNENIAS, *Secretary*.

Mr. LAROE. I am not sure the committee understands that when this quota system was submitted to the industry advisory committees it was unanimously opposed by them and adopted over their protest. As I see it, one very serious argument against it, Senator, is that if you impose a quota on the industry at a time when the industry cannot get animals anyhow, you are not accomplishing much. For example, if I am a meat packer and my normal slaughter is 200 cattle per week and I can now get only 17, it does not do very much.

Senator MITCHELL. Of course, the testimony is that plenty of livestock was coming into the markets and not going to the legitimate slaughterer.

Mr. LAROE. Well, there is some truth in that.

Senator MITCHELL. So there is enough there for you to buy, if you have the opportunity to buy it, under the ceiling?

Mr. LAROE. Yes; if the quota system works, that is the way; that would be the result. But I feel less qualified to appraise it than are the professional and able industry advisory committees, who are unanimously against it.

So carelessly and promiscuously were these permits issued by the Department of Agriculture that in the State of Pennsylvania alone the health authorities found it necessary to prohibit slaughter for health

reasons by 300 of those to whom the Federal Department of Agriculture had granted these promiscuous permits. They seem to have been granted to almost everybody that applied, with the result that the number of slaughterers increased from 1,492 to 26,665. This was grotesquely unfair to the established industry, and it resulted in an uncontrollable black market which has done great injury to the meat-packing industry and to the soul of America. It is significant that of the 26,665 obtaining permits, only about 12,000 applied for subsidies. This is significant for the reason that it is well known in the meat-packing industry that slaughter cannot be legitimately conducted without the help of the subsidies. I say with great emphasis that it is only those who collect their subsidies who can slaughter beef cattle and hogs successfully at OPA prices. Yet there are thousands who did not collect their subsidies. This fact in itself is sufficient proof of the enormous size of the black market.

The black market is so open and notorious that even on the financial pages of our newspapers the market quotations are given at black-market levels. For example, I have mimeographed on page 6 part of the financial page of the Greenville, S. C., News of April 11, 1946, which quotes the prices of live animals on the Greenville market, these prices being well in excess of the OPA prices. A letter received under date of April 18 from a prominent meat packer in that area says [reading]:

Enclosed is a copy of our daily newspaper containing livestock quotations on the local auction market. The prices are ridiculous. We have not attended this sale in several months, in fact we are still out of the beef business. Bulls sold up to \$17.20 top, about 4 to 5 cents over the ceiling. (The OPA ceiling today is \$13.50, and the published price, \$17.20.) All other classes are way over the ceiling.

(The clipping from the Greenville News, Greenville, S. C., of Thursday, April 11, 1946, is as follows:)

GREENVILLE LIVESTOCK

(P. L. Bruce Livestock Co.)

Light run, only had 547 head. Market stronger on all classes of cattle than previous week. Good fat cattle are getting scarcer and higher every day. There were no choice steers offered for sale with exception of one carload sold private for 18.40. Plain Jersey steers with fairly good flesh sold from 15.00 to 17.00. No good heifers were offered, bulk bringing from 14.00 to 15.50. Had a few extra good bulls, tops bringing 17.20, a number bringing from 15.00 to 16.00, medium bulls from 12.00 to 13.00, common 11.00 to 12.00. There were no choice veals offered, best bringing 18.00. Medium veals from 16.00 to 17.50, common from 14.00 down. No good beef type cows were here, best fat dairy cows sold as high as 15.50, most cows with flesh brought from 13.00 to 14.50. Medium cutter cows from 11.00 to 12.50, common cows were very light, hardly anything selling under 10.00. Stockers were up at least 75 to 100 points over last week.

Mr. LAROE. I submit to the committee that things have come to a pretty pass when the published market quotations in our livestock markets are on the black-market level. The situation is entirely out of hand.

Not only that, but the Department of Agriculture itself is quoting black-market prices to the farmers. What I mean by this is that each day the Department of Agriculture broadcasts to the farmers the prices which may be obtained in the markets for live animals. These prices so broadcast by the Department of Agriculture are

frequently in excess of the OPA ceiling prices, and they are broadcast nevertheless.

There is only one adequate solution for this whole problem and that is to eliminate price control on meat and meat animals at the earliest possible date.

The question is properly asked as to the effect which elimination of price control would have on prices. The answer is that there would be a temporary increase in price which we believe would still leave prices below the black-market level. But we do not believe that an abnormal price increase would cover a longer period of time than is required to knock the black market out, and this could be done in a very few weeks. With a reasonably normal supply of meat animals and with many hundreds, in fact thousands, of meat packers in keen competition, the prices would soon settle down to a normal basis, which would be higher than the present basis to the extent of the subsidies, but could not be much higher because of the keen competition—and they would be less than the black-market prices.

At this point I would like to say to the committee that the average profit from the slaughter of beef animals, to the slaughterer, is normally between a quarter and a half cent per pound of beef. That is the profit for the slaughtering. Now, in the pork the profit is in the neighborhood of one-half a cent. I do not have exact figures, but it is in the neighborhood of one-half a cent per pound of pork; so that the industry does not need a huge price increase to cover that one-half cent or less of profit.

One trouble with the subsidies is that instead of stabilizing prices at a low level they have fostered the black market and black-market prices. The House Committee on Agriculture says [reading]:

Meat subsidies * * * are fostering the black market. This is in part due to the fact that retail price ceilings by virtue of subsidies have been fixed so low in relation to the actual prices which consumers are willing to pay that at present most sales of meat are made at the black-market level.

For example, if the subsidy drives the price of a given cut of beef down to 30 cents at a time when the purchasing power of the average consumer makes it possible for him to pay 40 cents, an ideal condition exists for the black market. And so we find throughout the land prices being paid for meat on the average far higher than the OPA prices.

This situation has played havoc with our industry. At many packing plants which depend largely on the terminal markets, the slaughter of beef has been cut down to 50 percent of capacity; in other cases it has been cut down to 10 percent of capacity; and in still other cases, which I believe to be quite numerous, beef slaughter has been temporarily discontinued. For the week ended April 13 the slaughter of cattle was only 163,000 head, or 32 percent below the same week last year, and the beef production fell from 127,000,000 pounds to 87,000,000, a loss of 40,000,000 pounds.

May I interrupt myself to read two brief things, a telegram from Albany, N. Y., which I have selected from a large pile of similar ones, from the Tobin Packing Co. [Reading:]

One thousand to fifteen hundred western steers and heifers being slaughtered weekly in Albany capital district area, which comprises approximately 25 square miles by slaughterers who never killed anything except a few local cows prior to the war. All these cattle are being killed by small slaughterers not under Federal

inspection and sold in black market at from 30 to 40 cents a pound by the carcass. Department of Agriculture and OPA know of this situation but are doing absolutely nothing about it.

I have one more thing to read, which is also typical. It is a notice dated April 20, 1946, by Cross Bros., meat packers, Philadelphia, and it reads as follows:

To Our Customers and the Public:

Effective April 1, 1946, RFC, in conjunction with OPA, amended existing regulations relating to livestock slaughter subsidy payments whereby severe penalties are imposed upon slaughterers whose beef costs exceed, even by a fraction of 1 percent, the permissible maximum cost stipulated in these regulations.

Under livestock market conditions beyond our control, we are unable to purchase livestock within the price range which will enable us to comply with these regulations.

We therefore regret to advise you that, for the first time in our 26 years of business, we feel compelled to discontinue operations. We fully realize the seriousness of this step which will cut off the meat supply to 600 retail meat shops as well as to Government agencies.

We have made every effort to avoid closing and assure you that as soon as conditions permit, we will resume operations.

The producers are going to be very hard hit unless subsidies are removed while the demand for meat is heavy. If the subsidies are removed at a time when higher prices cannot be collected from the consumers, the producers will be struck a terrific blow. I can illustrate this by saying that the subsidies represent between 10 and 20 percent of the value of cattle and about 12 percent of the value of a hog. Withdrawal of the subsidies at a time when supply is greater than demand could cause the farmers to lose about \$30 a head on choice cattle. Now, the point was made this morning by Judge Montague, and has been made by others, that this beef business runs in cycles—you start about this time of year, everything is low, in beef; about July 15 your cycle starts, and it starts upward, and it strikes its maximum in the late fall. Now, in every year there is a price drop as the flood of animals, the "thundering herd" as they call it, comes to market. Now, if you wait until October or the 1st of November when that flood of beef comes off the ranges into the markets and the supply is temporarily greater than the demand and the price drops and you take subsidies off then, every penny of that comes out of the hide of the producer; you cannot get it out of the consumer because prices are falling; and it is, therefore, awfully important if you are going to take subsidies off and if you want to help the producer, to take them off at a time when the prices are stiff enough so that the producer will not lose. In other words, June 30, in my opinion, would be a good time to take the subsidies off, and the fall would be a bad time.

Senator TAFT. How about the controls? If you take subsidies off, you have to take controls off at the same time, do you?

Mr. LAROE. You do not have to.

Senator TAFT. I mean, do you think it should be done?

Mr. LAROE. Yes; it should be done. It would be possible to take the subsidies off without taking the price controls off. We think both should be taken off; but if you continue price control, we think the subsidies should be taken off with commensurate increases in the prices.

Senator TAFT. It has been suggested it would be very difficult to enforce the price control, even more difficult to enforce the price control, if there were no subsidies; do you agree with that?

Mr. LaROE. There is a measure of truth in that statement.

I may be asked why we are so much concerned about the producers. The answer to that question is that we absolutely depend upon the producers of live animals, and unless the producers are paid incentive prices which cause large production of meat animals, our industry suffers for the simple reason that we cannot slaughter animals which are not produced. Liberal prices for the farmers are absolutely essential to the success of our industry. The producers know perfectly well that these subsidies are hanging like a sword of Damocles above their heads, and they are very much afraid of what will happen if these subsidies are retained too long. And I would interrupt myself again to say that these subsidies are hanging like a sword of Damocles over the United States of America, and I do not want to be dramatic but I do want to express my concern as to the danger confronting our Nation if these subsidies become quasi permanent.

Senator CARVILLE. You mean just the subsidies on livestock?

Mr. LaROE. That is all I am qualified to talk about.

Why retain subsidies which cost our Government \$715,000,000 a year, which constitute a serious threat to the farmers, which are bringing ruin to the meat packers, and which are sustaining the worst black market in the history of America?

The House Committee on Agriculture, in its brief but excellent report, reaches the conclusion that [reading]:

The present chaotic condition of the livestock and meat industry will not be corrected until such time as ceiling prices and subsidies can be eliminated.

But it recommends continuation of price control on meat, with elimination of subsidies, because the committee was not able to reach a unanimous agreement as to the effect which elimination of price control would have upon grain. We feel that the enormous damage done by the black market and by price control is such that price control on meat should be discontinued regardless of its effect on grain; but if this committee feels differently about it and feels that price control should be continued in spite of the damage which is now being done, then we have a few alternative suggestions which I would like to give very briefly, and then I shall be through.

Our alternative program is a very simple one and involves four points, as follows:

I. Insuring a reasonable profit margin for nonprocessing slaughterers: The Office of Price Administration, which has never carried out either the letter or the spirit of the Barkley-Bates amendment, is unfair to those packers who prepare only the carcasses of fresh cuts and who do not have extensive processing operations. OPA has made meat prices in such a way as to bring back part of the sausage profits into the fresh-beef prices. This is tough on those slaughterers who have fresh beef only and who are in part protected now by an extra subsidy but who will be without protection if subsidies are withdrawn because the prices are so made as not to provide fair margins at the carcass level. There is a very wide difference between slaughterers as to the extent of processing. For example, the big packers manufacture sausage, soap, buttons, fiddle strings, and almost every conceivable item that can be made from an animal, whereas many of the smaller slaughterers have no processing at all. If, therefore, you make beef prices by assuming that profits are to be brought back from the processing, you work grave injury on those small slaughterers

who have no such processing to bring back. In the footnote you will notice I refer to Mr. Heinemann's list, prepared for Senator Stewart, of the processing operations, potential operations of the big packers, which are contained in the appendix to this study—a very formidable list of processing operations.¹

There is apparently no sound reason why the man who breaks up a carcass and sells it to butchers in the form of fresh meat should not have a profit from that operation. I say emphatically that beef carcasses cannot be prepared and sold at a profit today in any part of the United States except at black-market prices.

Let me interrupt there to make this point still clearer. Will you not picture a great industry, a substantial part of which is producing carcasses and fresh cuts, fresh meat—beefsteak, rib roast. Why shouldn't we have prices on meat at that level? There is a large number of packers that do not have any other level than that. Now, if you make prices at that level without taking into account the profits from processing, then these fellows can live, and the industry is fairly treated; but if you start bringing back your profits from sausage and making your beef prices on that basis, then you are tough on those fellows who do not have the sausage to bring back.

Senator TAFT. That is the objection to the whole over-all-industry standard formula of the OPA.

Mr. LAROE. That is correct; but I have been battling for about 2 years—we have been battling them, and we are asking you now to amend the amendment, in the manner which I shall show in just a second.

In other words, there is no profitable beef carcass operation under present conditions, unless in an isolated case the slaughterer is able to get by because of some unusual factor in his situation.

I wish to protest as strongly as I can against the policy of OPA in making their prices retroactively instead of currently. What I mean by this is that they have been waiting until the end of the quarter and then, finding that their prices were inadequate, and not in compliance with the Barkley-Bates amendment, they have paid very substantial subsidies retroactively to make up the deficits and then continued the unlawful prices in effect for the next quarter. To illustrate that, at the beginning of November they took a look at the past quarter. They paid substantial subsidies, because they were fair enough to admit that their prices were far too low for the preceding quarter. They paid a very large amount of subsidy to make good that deficit, and then continued the unlawful prices into the next quarter.

Senator TAFT. And then came up in here for a deficit appropriation of \$100,000,000 because they had used up the 12 months' money in 10 months.

Mr. LAROE. This deliberate violation of the Barkley-Bates amendment is deeply resented throughout our industry. Is it any wonder that the Senate Small Business Committee recommends in the sixth paragraph of their conclusions—if you will be kind enough to look at paragraph 6 of the green sheet which I attach to my study—recommends—

that an amendment to clarify the Barkley-Bates amendment be submitted to the Congress at once.

¹ The potential extent of processing is indicated by a list of 23 operations prepared for Senator Stewart by C. B. Heinemann, executive secretary of our association, and attached hereto as an appendix.

Many months ago OPA told us and told the Congress that at the end of last January they would change their policy and make prices currently reasonable. They have not done so. Indeed, they have not yet distributed the statistics for the quarter ended January 31. This causes the Senate Small Business Committee in its first recommendation—if you will be good enough to look at paragraph 1 of the green sheet—to recommend—

that the Office of Price Administration be asked to report immediately upon the quarter ended January 31, 1946, and determine whether a subsidy for that period is due the industry.

While we agree that this should be done, we protest vigorously against the retroactive making of prices. The Barkley-Bates amendment does not tell OPA to make reasonable prices retroactively. It contemplates that prices shall yield a reasonable margin currently on each species. OPA has definitely broken its promise to change its price policy effective February 1, and the Barkley-Bates amendment is still being violated, as the Senate Small Business Committee finds.

We have been complaining because they have been making prices retroactively instead of currently. Now, they won't even make them retroactively. We haven't yet got the prices or subsidies for the quarter ended January 31, and yet they promised, effective February 1, that they would revise the prices, so to be on a current basis, and they have not done it, with the result that beef cattle are being slaughtered at a loss in every part of the United States today, and the production has gone down in many cases to a mere fraction of normal because the loss cannot be stood by the industry.

Senator TAFT. Now, there was an increase. Has that increase gone into effect as promised when we gave them the additional subsidy? That is, when we have made that additional appropriation, they have said they were going to pass an increased price—the additional wage increase granted to the packing-house employees.

Mr. LAROE. Oh, if you are talking about the wage increase, I do not understand that there is any automatic provision for passing on the wage increase, even the retroactive wage increase, in the form of a subsidy; but there was an adjustment in the prices made at that time, without a wage increase, and I think the whole industry got the benefit of that.

Senator TAFT. Well, what they said, they were going to subsidize the retroactive part of it, but from March on they were going to increase the price to take care of the wage increase. That is what they did, if I understood correctly.

Mr. LAROE. They did that. They took care of the current and future wage increases by an increased price, and the retroactive, by subsidy in those cases where they deemed that the industry needed the subsidy.

Senator TAFT. But I have had some complaint that those subsidies for the retroactive wage increases have not been paid.

Mr. LAROE. I have had numerous such complaints. They have not been paid as yet.

Senator TAFT. Although they were for wages paid in January and February—correct?

Mr. LAROE. From the period January 26 through March 11.

If you will see paragraph 3 on the green sheet, we ask that the Price Control Act be further amended to provide a profit for the

preparation of carcasses and fresh cuts. This can be accomplished by the following proviso:

Section 7 of the Emergency Price Control Act of 1942, as amended, is further amended to read as follows:

"Section 3 of the Stabilization Act of 1942, as amended, is further amended by inserting at the end thereof the following: *'Provided further, That on and after the date of the enactment of this proviso, no maximum prices shall be established or maintained on products resulting from the processing of cattle and calves, lambs and sheep, and hogs, the processing of each species being separately considered, which do not allow for a reasonable margin of profit to the processors of each such species as a separate group: And provided also, That in the fixing of maximum prices for the processing of each species of live animals for the processors as a whole in each such group no maximum prices shall be maintained on meat or meat products which fail to provide a reasonable profit margin for the production of fresh meat at the carcass level, and for fresh cuts of meat, without regard to further processing, and a reasonable margin shall also be provided for such further processing.'*" [New language italicized.]

II. The unfair price base: I want to say a few words about the unfair price base which they have used, because we feel strongly about that.

There has been made available to us a memorandum prepared by the Office of Price Administration and submitted to Mr. Snyder's office which explains why in the opinion of OPA our prices should be made so as to yield net earnings not less than 1.5 percent of sales—that is, one and a half pennies on the dollar. OPA reported to Mr. Snyder's office that this would leave 19 percent of the industry in a loss position. Notice, now—1.5 percent would leave 19 percent of the industry in a loss position! The language of OPA was as follows [reading]:

However, to reduce the 28 percent of sales volume in a loss position to approximately 19 percent, it is necessary that the average return on sales for the fiscal year 1945 be increased to approximately 1.5 percent.

I quote it exactly.

The 28 percent of sales volume in a loss position would have resulted from the use of the years 1936, 1937, 1938, and 1939 as the base period. The unfairness of this is shown by the following table:

Meat packing industry: Net earnings as percent of sales (after taxes)

	<i>Percent</i>	<i>Percent</i>	
1933.....	1.4	1937.....	0.7
1934.....	1.6	1938.....	1.1
1935.....	1.3	1939.....	1.2
1936.....	1.1	1940.....	1.3

¹ Loss.

Now if you will look at that table, there, you will notice that the italicized years as the base years, and you will notice that they constitute the four worst years of the table. You cannot pick four worse years out of that table than the italicized years, and yet that is the period that the Government used. Now, in fairness to OPA, they recommended to Mr. Snyder that in view of the unfairness of this he change to 1.5 percent of sales instead of 1 percent; but he would not do it.

Senator TAFT. What did he have to do with it?

Mr. LAROE. Well, the Office of Economic Stabilization at that time and now determines, or is a court of appeals, so far as OPA is concerned.

Senator TAFT. He was then in a different office?

Mr. LAROE. He was then in a different office.

It will be observed that the years 1937 and 1938 are the worst years shown, yet Mr. Snyder's office, overruling the advice of OPA, used these 4 years as the base for our prices, and according to OPA's own admission, this leaves substantially more than 19 percent of the volume in a loss position. The statute does not tell OPA to use a prewar base period, much less does it tell them to use a grotesquely unfair one.

Senator TAFT. More than that, it tells them to take into account— general increases or decreases in profits earned by sellers of the commodity or commodities during and subsequent to the year ended October 1, 1941.

Mr. LAROE. That is correct. That is correct.

Senator TAFT. I mean, in the law they have continuously and directly violated the Price Control Act in adopting that base.

Mr. LAROE. It would not be fair to ease the whole blame for this on OPA because in this instance Mr. Erickson and the others made a real attempt to help us out because they saw the unfairness of it, and they were overruled by higher authority.

We urgently request that the statute be amended to require the use of a fair base period, which would be accomplished by the following proviso:

Provided, however, That in making prices on meat and meat products the net earnings for the industry as a whole and for the processing of each species of live animals shall not be less in relation to value of sales than in a typical period of four nondeficit years to be selected by the Secretary of Agriculture.

Senator TAFT. When you refer to Mr. Snyder's office you refer to the office now occupied by Mr. Bowles?

Mr. LAROE. That is right—the Office of Economic Stabilization.

III. Licenses for slaughter: Under "Licenses for slaughter" I would like to read to you from a statement made by Mr. H. A. Greenberg, in his testimony before the Agriculture Committee of the Senate. Mr. Greenberg is OPA's enforcement officer in charge of the Food Enforcement Division. Mr. Greenberg says—and we agree with him—

One of the problems as we see it in OPA is to eliminate from the market by regulation, and not from lack of regulation, large numbers of new slaughterers, thus taking that competition out of the cattle market.

He may be referring there to some of these thousands of new slaughterers that have come into the picture of late.

The swiftest and surest blow that could be struck at the black market would be to require slaughterers to obtain Federal licenses. While it is almost impossible to check a price violation, it would be an easy matter to check illegitimate slaughter by one who does not have a license. This could be accomplished by the following amendment to the Price Control Act:

And provided further, That no meat animals shall be slaughtered without a license to be issued by the Office of Price Administration. Such license shall be issued as a matter of right to all slaughterers who were in bona fide operation on December 7, 1941, and to their successors in interest, or to any slaughterer whose plant is now subject to permanent inspection by the Bureau of Animal Industry of the Department of Agriculture. The Office of Price Administration may also issue licenses to any additional persons who are engaged in the slaughter of meat animals at the time this Act becomes effective and who shall show that their operations have not been in willful violation of the price or subsidy regulations of the Federal Government.

Senator MILLIKIN. To finish your thought, is it your idea that all slaughterers, regardless, should have a Federal license?

Mr. LAROE. I think all should have a Federal license, and I think licenses should be withheld from the notorious black market operators. Just to take an illustration, here is a fellow who has been operating we will say a whole year without collecting any subsidies. Now, we know that cattle cannot be slaughtered without a very heavy loss, and yet during that period he has doubled, trebled, and quadrupled his production, when the honest slaughterers have been closing their doors literally because they could not slaughter at a profit. Now, is there not, or should there not be, a burden of proof on that fellow to show that he is legitimately operating, before he gets his license? And there are many in that category all over the United States, who have quadrupled their production at a time when the honest fellows in business for 30 years are today closing their doors.

Senator MILLIKIN. Well, I think there is quite a little to your point. There are a lot of us around here that have observed by experience what happens once you throw any business into the supervision of the Federal Government.

Mr. LAROE. Well——

Senator MILLIKIN. At the end of one crisis, we find ourselves confronted with another one.

Mr. LAROE. That is right.

Senator MILLIKIN. Ultimately they find themselves completely in the hands of the Federal Government.

Mr. LAROE. I have every sympathy with that viewpoint, and I am not recommending these things here unless this committee decides that our industry should remain under price control. In that event we must be protected against the black market.

Senator MILLIKIN. I do not think there is any question but that that method would help protect against the black market. I am just casting about in my mind to find it there are some balancing factors that ought to be thought of.

Mr. LAROE. I am requested by our board of directors, on the last page of my memorandum, to convey to you a suggestion regarding the elimination of subsidies, which I convey to you without too much personal enthusiasm. If this committee favors gradual elimination of subsidies rather than immediate elimination, then we recommend an amendment similar to the so-called Wolcott amendment in the House whereby subsidies would be reduced 25 percent each 45 days during a period of 6 months, ending all subsidies by the end of the present calendar year.

Now, the only objection to that gradual elimination of subsidies is that you do not know what situation is going to confront you say on November 1. If you knew that, you could proceed without much hesitation; but suppose on November 1 there is a terrific flow of cattle to the market and the prices sag down a cent, a cent and a half, or 2 cents. The only thing that you can do then by taking away your subsidy is to take every penny of it out of the hide of the farmer, and you are running that risk if you postpone the elimination of subsidies. That is why it is wise in our opinion to take subsidies off while the price situation is stiff.

Senator MILLIKIN. Take them off completely, you mean?

Mr. LAROE. Take them off completely, while the prices are stiff.

Senator MILLIKIN. By one fell swoop?

Mr. LAROE. Yes; by one fell swoop. If you postpone the elimination of subsidies you are gambling.

Senator TAFT. The House eliminated them once, did they not, on meat?

Mr. LAROE. Yes.

Senator TAFT. The House bill eliminates them June 30.

Mr. LAROE. We ask you to follow what the House did on subsidies, namely, knock them out on June 30, with commensurate increases in the price of meat.

Senator MILLIKIN. Has anyone suggested an answer to your thought that if you spaced the drop in subsidies that you might make one of the drops at a very bad time? Has anyone met that argument?

Mr. LAROE. I do not know. I would like to hear somebody meet it. I haven't heard it met.

Senator TAFT. This has been suggested, that you might say to the Price Administration, "All subsidies must be ended by the 1st of January," and then give them enough money on this elimination scale for all subsidies, but leave it free to them to take off all meat subsidies, one time, all flour subsidies, another, all milk subsidies, another time, so that there would not be a chance for speculators to know exactly when this was going to happen, when the subsidies were going to come off. Do you think that is feasible? They would have them. You see, they could not continue the subsidies; they would have to eliminate some.

Mr. LAROE. Yes.

Senator TAFT. But they could perhaps keep some for 4 or 5 months?

Mr. LAROE. I do not feel qualified to speak on subsidies other than meat, but as to meat, we think the only safe course is to take them off with one fell swoop, and do it now. If you do not do it now, these subsidies may plague you for years to come.

Senator TAFT. Is there any reason why we should not save another fifty million by ending them when the bill goes into effect?

Mr. LAROE. Well, I won't object to the saving of that fifty million dollars.

Senator CAPEHART. Mr. Chairman, every witness that has been before us has told us that there has been the greatest employment in the history of the United States, we have the largest production in the history of the United States, we have more cattle on the hoof. Secretary Anderson yesterday stated that people had so much money, they had nothing to buy except food, therefore they were pushing up the prices of food; and yet this Congress continues to permit the Government to pay out subsidies of all kinds and shapes and descriptions. To me it is silly and ridiculous, and the first chance I get I will vote to eliminate subsidies on meat or on anything, I do not care what it is. It is silly and ridiculous, and the testimony proves it, not only by the witnesses that have been here, those that have been against OPA and those that are for it, and even the testimony of the Secretary of Agriculture yesterday shows that it is absolutely ridiculous.

Mr. LAROE. I have only one more point. I have had some correspondence with Mr. Greenberg of OPA as to what the black market is and how it operates. He and we are in some disagreement on that, and I would like to have the privilege of incorporating in the

record his letter to me, dated April 29, and my reply to him, dated today.

Senator TAYLOR. Very well; they will be included.

(The letters referred to will be found at the end of Mr. LaRoe's testimony.)

Mr. LAROE. The only thing I have to say in conclusion is that I have a feeling that this honorable committee is sitting on this thing somewhat judicially as a court, as it were. In other words, while it is a legislative committee, your problem is to adjudicate the issue as to what part of price control is in the public interest and what price feature is not. Now, I have had it said to me, if we take the control off of meat we will have to take it off of everything. I do not agree with that. That is not a judicial determination. If you find that in the meat industry there is something approaching a national scandal—and gentlemen, it is not less than that, a national scandal—if you find that we are throwing away \$715,000,000 to perpetuate that scandal, then I respectfully submit that the courts should find that it is bad for America, and eliminate price control and subsidies on meat, regardless of what you do on other commodities.

Senator TAYLOR. Thank you.

Senator TAFT. May I ask one question?

Senator TAYLOR. Yes.

Senator TAFT. What is your view of this latest order?

Mr. LAROE. That it will not work.

Senator TAFT. Mr. Anderson, of course, is in favor of eliminating controls, but if this order proves the need exists, what do you think is going to happen to the order?

Mr. LAROE. I think it will not work, and I think Secretary Anderson definitely had his fingers crossed, when he appeared before you, and I can prove it by his own words, where he said to you that we will try it for 90 days, and if it does not succeed, we will end price control on meat. He is in doubt, himself, on it, and when OPA appeared before the two industry advisory committees and offered the suggestion, there was a rising, unanimous vote of protest from every representative of the industry.

Senator TAFT. You do not think it will force cattle out of the irregular slaughterers, back to the regular channels of distribution?

Mr. LAROE. It did not do it before when we had a similar thing, and it will not do it now, and if you tolerate that sort of dilly-dallying with the situation you are just perpetuating a national scandal.

Senator TAYLOR. Thank you, Mr. LaRoe.

(The several documents submitted by Mr. LaRoe in the course of his testimony are as follows:)

OFFICE OF PRICE ADMINISTRATION,
Washington, D. C., April 29, 1946.

WILBUR LAROE, Esq.,
Washington, D. C.

MY DEAR MR. LAROE: I have just read your remarks to the National Independent Meat Packers Association as quoted in the National Provisioner of April 20, 1946. During the course of those remarks you quote my testimony before the Senate Agriculture Committee.

You indicate that I excuse the lack of enforcement activity by this agency on the fact that we were unable to discover any evidence of "conspiratorial violations." I don't know whether you read all of my testimony or whether you misunderstood what I had to say. However, it is perfectly clear that the point I made was that there was no meat black market in the sense that you and other

packer witnesses before the various committees have asserted. I stated to the committee that it was exceedingly important to understand clearly the nature of the black market, for, through clear understanding, might come the answers on how to meet the situation which confronts us. My point was, if you read my testimony, that the black market consists of numerous violations, none of them committed by the Capone type conspirator or meat bootlegger, but rather by established members of industry, including members of your association and the American Meat Institute.

If the meat bootlegger is the cause of our difficulties, as the packers would have the country believe, then the remedies must take the form of usual police procedures. However, if, on the other hand, violations are being committed by established persons at all levels of the meat industry because of lack of controls other than price controls, it then becomes clear that the remedy lies in the adoption and enforcement of additional controls. The Government has taken this latter course.

You will see, then, that I was not even discussing the question of enforcement. I was, rather attempting to point out the meaning of words used by other witnesses so that there could be some understanding of the real issues. I felt then, as I feel now, that the situation would be better served if basic issues could be discussed than to have loose phrases like "black market" bootled about undefined.

I am sorry that my testimony was misquoted at your convention. I presume there is nothing that can be done about it at this time, but I wanted to point out to you what I did say.

Very truly yours,

HERMAN A. GREENBERG,
Director, Food Enforcement Division.

THE NATIONAL INDEPENDENT MEAT PACKERS ASSOCIATION,
Washington, D. C., May 2, 1946.

MR. HERMAN A. GREENBERG,
*Director, Food Enforcement Division,
Office of Price Administration, Washington, D. C.*

DEAR MR. GREENBERG: I have your letter of April 29 and I wish to thank you for your frank criticism of what I said at Chicago. If I misquoted you I shall retract publicly. You and I have always dealt with each other on a basis of complete frankness and neither of us can afford to be unfair to the other. Certainly I do not want to be unfair.

But I have carefully reread your testimony and I cannot see that I dealt unfairly with you, if technicalities are left out of consideration. In your testimony you said:

"We have had experience with this black market since roughly December of 1942, when the present wholesale meat regulation went into effect. That is something better than 3 years. Now at no time during those 3½ years have we run into a black market in the sense, I think, that these gentlemen would have us believe. I mean by that that at no time have we run into a criminal conspiratorial group which has come into the meat industry anew for the sole purpose of selling a scarce commodity in wartime at an excessive profit. The black market, as we have run into it, has for the most part been overcharges by persons who have been in the meat industry."

I interpreted this to mean and I said in effect at Chicago, that you had not been able to find a criminal conspiratorial group (which you now define as analogous to a Capone gang) and you implied, at least, that enforcement was quite different from what it would be if you had spotted such a group.

You implied, we think unfairly, that we envisaged a gangster bloc wholly apart from the meat industry which is in conspiracy to defeat price regulation and which constitutes the black market. On the contrary, we have always felt and we feel now that the black market consists in part of slaughterers who have been licensed by the Government. I do not recall using the term "bootlegger" at any time during the period of price control, although that term could aptly be applied to many who slaughter under trees and in garages and sheds. While not denying that there have been some violations of the regulations by long-established slaughterers, it is notorious that a veritable host of new slaughterers have tripled, quadrupled, and quintupled their operations at a time when most of the long-established firms were having serious trouble because they could not buy in compliance. Although it is well known that beef cannot be honestly slaughtered successfully without collecting subsidies, only about 12,000 of the 25,000 new

licensees have collected subsidies. The fact that these slaughterers are not "conspiratorial groups" is, I respectfully submit, no reason for not ascertaining why so many of them can operate at a handsome profit while legitimate slaughterers suffer.

I quote from one of many telegrams recently received:

"One thousand to one thousand five hundred western steers and heifers being slaughtered weekly in Capital district, which comprises approximately 25 square miles, by slaughterers who never killed anything except a few local cows prior to the war. All these cattle are being killed by small slaughterers not under Federal inspection and sold in black market at from 30 to 40 cents a pound by the carcass. Department of Agriculture and OPA know of this situation, but are doing absolutely nothing about it.

"W. C. CODLING,
"Vice President, Tobin Packing Co., Inc.
"Albany, N. Y."

But why do we quibble over the definition of the black market when we both admit its existence and when we both know that it flourishes almost without hindrance? If, as you imply, it pervades every level of the industry, including many "established" plants, that is neither a justification of the black market nor evidence that OPA can control it. The important fact is that we both concede the existence of an enormous black market and that we both believe that OPA has thus far proved powerless to control it. That we differ as to the precise definition of the black market is relatively unimportant. Frankly, I fear that you are largely right that it affects every level of the industry, and I will go further and concede that OPA's colossal failure in enforcement has forced many honest slaughterers to choose between violating and going out of business. But why do you and I quarrel over definitions when a whole industry is being ruined by regulations which are not and cannot be enforced? It is the custom of OPA on the eve of a congressional hearing to make some grand new gesture of enforcement, or of new regulations designed to kill the black market, but the entire industry, knowing that the new plan will not work, and knowing also that it was opposed unanimously by the industry advisory committees when presented to them for the first time concurrently with its announcement to the public, suspects that the new plan is launched to make an impression on the lawmakers, and that the Government has no valid reason to believe that it will succeed better than its predecessors.

Your plain intimation that the established meat industry is just as much a part of the black market as the black market itself and that the black market has been for the most part due to overcharges "by persons who have been in the meat industry" will be deeply resented throughout our industry. Contrary to your position in this matter, Secretary Anderson told the Senate Committee on Banking and Currency that "reliable companies can't get cattle in the (price) compliance range" because "they run up against people who don't care about the compliance range." Let me assure you that the legitimate packers do care about the compliance range and many of them are closing down because they cannot comply. Your attitude explains why your investigators are annoying meat packers over trivial and picayune violations, and even taking them to court for such violations, while the black market rages like a prairie fire.

I would plead with you to save my clients if I thought you could save them. But I do not believe you can save them. You have tried hard and you have failed. This is no reflection on you, for a whole army of able enforcement officers could not police the regulations at every farm gate, at every auction market, at every slaughtering place (including the trees beside the brooks) and at every retail counter and at every eating place. You have been given an impossible job and it is no reflection on you that you cannot carry it out. But I do feel very strongly that we should not quibble over definitions while a great industry is threatened with ruin and when it must be apparent to both of us that this whole situation is almost a national disgrace.

As to your second major point, namely, that the problem is accentuated by invasion of the markets by new slaughterers who purchase legitimately, but who care nothing about compliance, this is tragically true, but the new quota system will not correct it in the opinion of the industry.

In fairness to you I shall offer your letter in evidence before the Senate Committee on Banking and Currency and distribute it to our more than 800 members through our bulletin.

Sincerely yours,

WILBUR LAROE, Jr.,
General Counsel, the National Independent Meat Packers Association.

[Memorandum]

CONCLUSIONS AND RECOMMENDATIONS OF SMALL BUSINESS COMMITTEE OF
UNITED STATES SENATE

The purpose of this report is to recommend as prompt and effective relief for the meat-packing industry as it seems possible to secure.

It is evident that the Barkley-Bates amendment needs to be amended and clarified so that its administration will not be a matter of conjecture and conflicting interpretation by Government agencies. But such amendment could not be incorporated into law before June 30, 1946, and several more months might elapse again before its new stipulations were put into effect.

To secure some prompt relief it is recommended—

1. That the Office of Price Administration be asked to report immediately upon the quarter ended January 31, 1946, and determine whether a subsidy payment for that period is due the industry.
 2. That for such payment, the 1.5 percent of profit be used in the subsidy determination, as originally recommended by the OPA, and as representing a somewhat fairer basis of computation.
 3. That the current cost figures of the industry, as received monthly by OPA from a representative group, be examined to reveal what adjustments in prices are needed currently to place the industry as a group in a reasonable profit position, "prospectively," on each specie of livestock, as required by the Barkley-Bates amendment.
 4. That the Office of Price Administration be required to confer with the Department of Agriculture and with the industry, as soon as possible, to determine what 4-year period would offer the industry a "fair prewar base" for profit determination.
 5. That the Office of Price Administration and the Department of Agriculture confer and act upon a more effective enforcement and control program against black-market operations.
- For somewhat longer range purposes it is recommended—
6. That an amendment to clarify the Barkley-Bates amendment be submitted to the Congress at once.
 7. That the proper committees in the House and the Senate be urged to give consideration to the possibility of setting a program of gradual removal of price controls and subsidies on meat, timed to be partially effective with the beef-slaughtering period in December 1946, provided that as this report indicates and Department of Agriculture figures substantiate, the production of livestock continues to be in ample supply.

[Appendix]

LIST OF TYPICAL PROCESSING OPERATIONS CONNECTED WITH THE SLAUGHTER OF
LIVE ANIMALS

(Prepared by Mr. C. B. Heinemann)

1. Making of tankage for feeding and/or fertilizer.
2. Drying of blood and use as fertilizer, bleach, etc.
3. Processing of bones into fertilizers, case hardening bones, etc.
4. Extraction of material for making glue.
5. Extraction of material for making gelatin.
6. Processing of hair for brushes, binder, felt, curled hair for upholstering, etc.
7. Extraction of lanolin from wool of pelts.
8. Extraction of albumen.
9. Extraction of oil for certain lubrication, flames, etc.
10. Making isinglass.
11. Benzoinating lard as beauty cream or ointment base.
12. Making lard and oleo stearine for stiffening body of oils.
13. Extraction of edible and inedible tallow.
14. Preparation of sausage casings.
15. Making gold beater skins, bottle caps, tennis strings, clock cords, drum heads, musical strings, surgical ligatures, etc.
16. Making combs, buttons, hair pins, umbrella handles, napkin rings, tobacco boxes, buckles, crochet needles, knife handles, dice, chess-men, electrical bushings, washings, artificial teeth, bone rings for nursing bottles, and soap grease from bones.
17. Making of soap and cleanser.
18. Making of glycerine.

19. Making of neatsfoot oil.
20. Making of oleomargarine.
21. The making of a constantly growing list of pharmaceuticals such as these:
 - (a) Gland extracts from the thyroid, pituitary (anterior and posterior) adrenals (cortex and medulla), pineal, thymus, testes, ovaries, corpus luteum, parathyroids, pancreas, the greatest of all glands, the liver, spleen, prostate, placenta, and mammary.
 - (b) Pepsin, rennin, diastase, lipose and trypsin.
 - (c) Lecithin.
 - (d) Thromboplastin.
 - (e) Red bone marrow.
22. Salvaging of chitterlings.
23. Salvaging of liver, kidneys, tails, tripe, melt, heart, ears, brain, snouts, cheeks, tongue, feet, etc.
24. Salvaging of gall and gallstones.
25. Use of horns from cattle.
26. Use of hoofs from all animals.
27. Making of sandpaper and emery paper by use of packer glue. (One packer makes many miles of this in 1 day.)
28. Use of cracklings from rendering tanks.

Senator TAYLOR. Mr. Russell Brown.

Mr. BROWN. I had originally indicated that Maj. B. A. Hardy, who is an oil producer in Louisiana and president of our association should appear. He was assigned, the 23d of April, but at that time he could not be reached, and he had to leave; so he has asked that I appear for him.

Senator TAYLOR. All right; we are glad to have you, sir. We are sorry we are late with our schedule.

STATEMENT BY RUSSELL B. BROWN, GENERAL COUNSEL, INDEPENDENT PETROLEUM ASSOCIATION OF AMERICA, BEFORE THE SENATE BANKING AND CURRENCY COMMITTEE

Mr. BROWN. Instead of using the full 30 minutes as contemplated, I am sensitive to your problem, here, and I would like to ask permission to introduce my statement into the record.

Senator TAYLOR. Yes, sir.

Mr. BROWN. And let Mr. Frank Porter, of the Midcontinent Oil and Gas Association, finish my testimony for me.

(Mr. Brown presented the following statement for the record:)

STATEMENT BY RUSSELL B. BROWN, GENERAL COUNSEL, INDEPENDENT PETROLEUM ASSOCIATION OF AMERICA, ON EXTENSION OF PRICE CONTROL, BEFORE THE SENATE BANKING AND CURRENCY COMMITTEE.

My name is Russell B. Brown. I am general counsel for the Independent Petroleum Association of America for which organization I am authorized to appear on this occasion.

This association is composed of independent producers of crude petroleum with members in every oil-producing State in the United States. There are now 26 such States. The name "independent" as used in the case of our association means that the membership of this association comes from those producers engaged exclusively in the production of oil in the United States. The large integrated oil companies engaged in the international petroleum trade are not members of this association. The membership of this association is so widely distributed and of such volume as to justify the conclusion that it is representative of the domestic petroleum producing industry of the United States.

The purpose of my appearance here on this occasion is to urge upon your committee and through you, upon the Congress of the United States, that there is no necessity for the continuation of price controls on petroleum and its products at this time. There has been no necessity for such controls since VJ-day. There is no possible necessity for such controls in the foreseeable future.

Great volumes of petroleum products were used in the prosecution of the recent war. At the conclusion of the war the great producing capacity of the United States was being utilized to its limits. With the conclusion of the war much of our petroleum products was released from war demand and became available for our civilian requirements. Our full civilian requirements are far short of the rate of production at the end of the war. It has, therefore, been necessary to greatly reduce our rate of production, although our capacity to produce remains.

Our refining capacity available for the manufacturing of petroleum products far exceeds the demand for such products. Crude oil and the products of petroleum have been going to storage since VJ-day. There is a widely distributed ownership of petroleum and of the facilities for sufficiently processing, transporting, and distributing the products of petroleum in the United States. Competition is great and with the abundant supply there is no danger of a runaway price condition.

There is no justifiable reason to longer continue price controls in this industry. All of these facts have been set forth in clear detail in many places. In particular, were they fully discussed by the representatives of the various branches of the industry before the House Banking and Currency Committee, where they were not challenged or denied. Since the printed record of those hearings is available to the entire Congress, unless there is some phase on which you desire further elaboration, I shall not burden you here with a new recitation of this detailed information.

I shall not raise here the question of whether there was at any time justification for price controls in this industry. It is not necessary to again discuss the kind and character of the controls we have had. The producer of petroleum has endured the character of controls that have been imposed upon him through improper and stupid and antagonistic administrative agencies. We have suffered greatly. About 25 percent of our strength has been needlessly sacrificed through such inefficient administration. If controls of this character are to continue we will lose much more.

Under OPA regulations the producing branch of the oil industry could not have met the requirements of our armed forces during the recent war except for the fact that the integrated companies in the industry bought up the weakening companies and carried on their production. These companies who sell crude oil in the form of refined products received sufficient price for such products to enable them to continue to make money.

This saved the armed forces supply requirements but did nothing for the companies engaged only in production. It weakened the permanent economy of the Nation and forced a trend toward monopoly.

We want to remain in business. In that position we may be selfish. If it is selfish to ask the Government to which we contribute to not destroy us then we are guilty. We think there is more at stake than the existence of some one person. There is the great competitive impulse that has been made possible and secure under a government of laws. These laws have been provided by the Congress of the United States under a wise constitutional charter.

For a period of some 80 years this industry has been gaining in strength and usefulness. It was quite useful during the recent war. No special credit is to be given to the members of this industry for the service it rendered. The credit goes to the Government that made this condition possible. Other countries have petroleum resources equal in proportion to the United States. No other country had these resources available for use when the great necessity developed. It has been said that this is why we won and others lost.

For the 80 years of this industry's existence, Congress has passed no wholly destructive law with relation to our activities. You have provided rules by which we operated. We were free to conduct our business under the same rules that governed others.

We personally have at times prospered and at times we have not done so well. The Nation as a whole has prospered. In a period of 4 years administrative activities have been needlessly responsible for an industrial casualty list of at least 25 percent of a group of people who were responsible for making available about 70 percent of our supply of crude petroleum that has meant so much to our industrial life in peacetime and to our defense in war. This casualty list is not the result of war. It is not the result of legislative intent. It resulted contrary to necessity and in spite of laws.

We do not believe you feel this situation is necessary or want its continuance; yet only you can stop it.

The President of the United States has announced in Executive Order 9697, dated February 14, 1946, the policy of Government to continue controls over

scarce materials. Mr. Snyder, as Director of War Mobilization and Reconversion, in his fifth report, in referring to price ceilings, said: "They will be lifted as quickly as supply approaches balance with demand."

Mr. Chester Bowles in his speech before the National Association of Manufacturers on December 6, 1945, said: "Price control should and must be removed as rapidly as supply conditions permit. Barring continued labor-management difficulties the production estimates for 1946 indicate that in industry after industry during the next 12 months we will find supply and demand coming into balance. As that occurs, I assure you that your Government will move promptly to eliminate the last vestige of price restrictions in those industries."

He made a similar statement a year ago on the occasion of the renewal of the price control law. He made it again only recently before the House Banking and Currency Committee. On this last occasion Mr. Snyder and Mr. Marriner Eccles each made similar statements in answer to direct questions of members of that committee.

Petroleum supply has been in excess of demand for many months yet no move to comply with the many promises has been indicated.

Mr. Porter in his appearance before your committee only recently talked of some system of "suspension" of controls that was in contemplation. This program offers no relief because according to his own interpretation ceilings would again be invoked should the industry commit some act displeasing to the Administrator. There is here direct evidence before your committee that Mr. Porter, the present Administrator, does not regard himself as being in accord with the President or other administrative agencies who have given their promise with the expectation that Congress might act upon it. No security is suggested by such conduct.

There is but one means of freeing American industry for the difficult task now before us. That is for Congress itself to remove such controls as should be removed. The removal should be so simple and so direct as to leave no possible field for interpretative discretion in the hands of an agency whose action has indicated such definite desire to control as has been evidenced by OPA. This agency has demonstrated to the complete satisfaction of many of us that they have such bias in favor of controls as to render them unfit to pass upon the question of when they should surrender such control.

In other years we have brought our problems to the Congress and have always obtained fair and sympathetic hearings; there has been legislation enacted at times to establish policy that has been of public benefit. With regard to the price control law, Congress tried to correct the inequities we complained of and amended the law to provide a way of getting consideration by OPA. The OPA seems not to have read the amendment. At least they ignore legislative direction.

We have made an earnest attempt over the entire period of the operation of the price control law to conform to the rigid rules of procedure of OPA so as to place our case before the agency in a manner deemed properly official and technical. The attempt has failed. As quickly as we thought we had performed all the legalistic genuflections we would be told that we had erred in some particular not theretofore visible to us, so we would have to originate a new case. We have exhausted our energies and our intellectual resources in trying to fit ourselves to the unpublished rules and standards of the agency.

We therefore ask that no authority be granted or extended in this law with relation to petroleum and its products.

Mr. BROWN. I am going to briefly summarize our position, because I think that there is but one question left.

Senator TAYLOR. State your name for the record.

Mr. BROWN. My name is Russell B. Brown.

There is no question about the supply of petroleum. That has been voluminous set forth in all of the records and has not been questioned by anyone at this time. There is no question but what all of the administration leaders dealing with this further have announced publicly that when supply equals demand, the controls should go off, and this is the position in the petroleum industry. Since VJ-day we have had more petroleum than any possibility of consumption. As a matter of fact, we have reduced our production some 400,000 or 500,000 barrels below our top production capacity. We continue to be able to produce that, but it is not required at this time.

The only thing that is left as I interpret our situation is the question, How can you get controls off? Mr. Bowles has admitted they should go off with the meeting of balance of supply and demand; all of the administrative heads have agreed to that, but the men we work with are not Mr. Porter and Mr. Bowles. It is the men down in the Department.

I want to read from a statement made April 29 in Platte's Oilgram, by Mr. Sumner T. Pike, He has been head of the Petroleum Division since its inception. Here is his interpretation [reading]:

The OPA is anxious to get completely out of the oil-price-control business, and would do so immediately except for the chance that State regulatory agencies might create synthetic shortages in effect to help producers get a higher price.

Now, in that statement he indicates——

Senator CAPEHART. Who made that statement?

Mr. BROWN. Sumner T. Pike, who was the executive. He retired yesterday as the price executive in the Petroleum Division.

Senator TAFT. Of OPA?

Mr. BROWN. Of OPA. Now, that indicates to me that he has not absorbed the philosophy as announced by Mr. Porter or by Mr. Bowles or by any of those in charge of that responsibility. I am also concerned, when he left—the man who is in control is Mr. Reppert, who appeared before you yesterday—and in his statement, which is in the testimony, and I will not repeat it in full, but he himself said that they were—that Mr. Bowles had announced in a letter to Congressman Patman—that they were considering temporarily lifting controls within 6 months and possibly prior to June 30, but they have the difficulty of finding means of turning loose.

It isn't anything as I understand it that is founded in the law creating the office, but as indicated by Mr. Pike, some extraneous matter over which they are assuming jurisdiction. I have no reason to doubt the honesty of State regulatory authorities. They take the same oath as the rest of the officials do, and I have no reason to believe that they will not honestly enforce the laws with which they have responsibility.

Senator MILLIKIN. Mr. Brown, isn't the pressure of business exactly the other way? It has been my observation that even when there is a surplus of petroleum products, everybody is going into the State regulatory authorities asking them to open it up still wider.

Mr. BROWN. That is right.

Senator MILLIKIN. Isn't that right?

Mr. BROWN. As a matter of fact, the State regulatory authorities have had effective control for 10 or 15 years.

Senator MILLIKIN. Yes.

Mr. BROWN. And there is nothing in the history of that to show that they have ever exercised price regulation.

Senator MILLIKIN. That is right, and every time they close down, they catch a darn sight more criticism than when they open up.

Mr. BROWN. Quite true, quite true.

Senator MILLIKIN. Because through the competitive conditions in the oil business itself every fellow, because of side-line drainage, is out to get his oil while he can.

Mr. BROWN. If he doesn't, someone else will.

Senator MILLIKIN. If he doesn't, someone else will.

Mr. BROWN. That is right.

Senator MILLIKIN. So the whole pressure is to open up instead of to close down.

Mr. BROWN. That is quite true. That is why I say that our problem is simplified, but we do not believe that we will get this control off unless you people make some specific provision in the law itself and make it self-executing so that discretionary power no longer rests in the Office.

Senator TAFT. Mr. Brown, isn't this the real reason OPA won't take it off, that if the normal laws of supply and demand operate, considering the present costs of oil and of finding new oil, the price of oil will rise over where it is today?

Mr. BROWN. Very likely.

Senator TAFT. In other words, the demand and supply are going to make a higher price than Mr. Bowles has made, consequently they are afraid. They just are opposed to any price increase regardless of whether it is made by a legitimate demand and supply or not; do you not think that is the real reason for failure to be controlled?

Mr. BROWN. I think it is, yes. I think that is probably true, and I think it is also true that under the present economic condition the price of crude oil would naturally go up. You see it was frozen at an abnormally low spot, and costs have increased enormously.

Senator TAFT. And the figures showed, I think, the increase in oil has been of much less percentage than the general increase in the wholesale prices of other commodities?

Mr. BROWN. Quite so. We had no increase until just a few days ago, we got 10 cents. That is only a short time. Today, the drilling activity—we have some 2,500 drilling rigs in the industry, but only 1,400 of them are employed today. Now, that may not affect us for, oh, several months, but if you continue to fail to drill there will be a shortage of oil way down the road that might be serious.

Senator MILLIKIN. Mr. Brown, are there any Government set-asides that might interfere with the normal operation of the oil business, at this time?

Mr. BROWN. I am not quite sure I understand, but I know of no other influence, other than this one, at this time.

Senator MILLIKIN. I mean, are our military forces making any set-asides of oil that might interfere with the normal flow of it?

Mr. BROWN. No; it has not reached sufficient proportion. There is this difficulty: There is taking oil land, public lands, out of the public domain to some extent and restricting the operation of those very materially; but the military use, the naval reserves that could be available for considerable oil, are withdrawn from production, and then there is a demand from the Navy for oils, fuel oil, that amounts to quite a bit.

Senator MILLIKIN. When the automobile business gets going and new cars come out, will that add a burden to production that might bring us to a scarce position?

Mr. BROWN. It is inconceivable that it will bring us to a scarce position on automobile fuels, gasoline, because at this time we have the largest in history, except one time. As a matter of fact we have such an excess of gasoline that it is selling way below the ceiling now, a very great excess.

Senator MILLIKIN. How are we on the lubricant side?

Mr. BROWN. Plenty. Plenty of lubricants. There is no shortage that I know of in any of the products, except there is a narrow margin on the Navy fuel oil.

Senator MILLIKIN. Is the industry getting its material for drilling, so that we can keep going ahead?

Mr. BROWN. Fairly well. We are having some trouble now with some of our steels, and that is because of the steel shortage.

Senator MILLIKIN. Is that getting better or worse?

Mr. BROWN. Well, it has been getting a little worse the last few months.

Senator MILLIKIN. You think that is temporary?

Mr. BROWN. I think that is temporary. We have enough drilling rigs that we can resume.

Senator MILLIKIN. What about the strike situation in the industry?

Mr. BROWN. The strike in the industry is not bothering us at this time.

Senator MILLIKIN. No threatened general strikes?

Mr. BROWN. None that I know of. No, I think that is all pretty well cleared up. So I do want to urge that one point, that you people in your final adoption of the renewal of this law, if you do renew it, make a specific provision for elimination of either petroleum or commodities in this general character.

Senator MILLIKIN. How much in your judgment would petroleum go up if we took the controls off?

Mr. BROWN. I wish I knew. It is very difficult. I do not mean to be facetious in that. I am basing my statement now on history. I have often thought we ought to get a price increase of X cents, and wake up to find the fellow who has bought it had a different idea about it. There has been a recommendation and there is pending now a recommendation from the Industry Advisory Committee, recommending a price increase on crude petroleum of 35 cents a barrel. Since that recommendation was made there has been a 10-cent increase. A similar recommendation was made by the Petroleum Administrator during the war; that wasn't acted on, at all; so taking those two recommendations and the 10-cent price that was increased, it would look as if you would reasonably expect 25 cents.

Senator MILLIKIN. Do you have your conversion tables handy? Can you tell us what that means in terms of gasoline?

Mr. BROWN. I haven't the table. I can tell you. The full 35-cent increase was discussed a lot during the wartime, and the refinery reports and analyses were made, and it was at that time stated that that meant if the full amount was passed on into products—

Senator MILLIKIN. In the normal way?

Mr. BROWN. In the normal way, it would be seven-eighths of a cent a gallon on the products. You see, there's 42 gallons in a barrel, and that was the estimate, and that was the studied figure that came out of that.

Senator MILLIKIN. Seven-eighths of a cent?

Mr. BROWN. Yes.

Senator MILLIKIN. Per gallon—at the retail level?

Mr. BROWN. At the retail level; and that, translated into the cost-of-living figure—I put that in the House record. I haven't it here. I think it finally resulted in a cost-of-living figure of fifty-eight thousandths of 1 percent, in the figure.

Senator MILLIKIN. Of course, the industry has never been able to exercise taut control on crude. It might go down?

Mr. BROWN. It might go down. That is conceivable, and that is the thing we are not sure of. That is why I hesitate to say what I think it would do, because I have been fooled in the past.

That is all I care to say. At this time, I would like for Mr. Porter to finish.

Senator TAYLOR. All right, Mr. Porter.

Thank you, Mr. Brown.

STATEMENT OF FRANK M. PORTER, PRESIDENT, MID-CONTINENT OIL AND GAS ASSOCIATION, TULSA, OKLA.

Mr. PORTER. Mr. Chairman and gentlemen of the committee, my name is Frank M. Porter. I reside in Oklahoma City, Okla., and am engaged in the business of producing oil and gas as an independent operator. I am also engaged in the business of drilling oil and gas wells.

I am president of the Mid-Continent Oil and Gas Association, with headquarters in Tulsa, Okla. The association has a membership of more than 3,000 independent and major operators engaged in business in the States of Texas, Oklahoma, Kansas, Louisiana, Arkansas, Mississippi, and Alabama.

Since the application of price control to the oil industry by the OPA in January 1942, the Mid-Continent Oil and Gas Association, along with the other representative organizations and individuals of the petroleum industry, has pointed out to the various congressional committees dealing with the subject, and to the OPA, the inadequacy of the price of crude oil and its products.

In practically every instance, the position of the industry has been sustained by the report of the congressional committee that have conducted these investigations. The Petroleum Administration for War has at all times sustained the position of the industry and recommended to the OPA that a fair and equitable adjustment of prices should be made in the petroleum industry. The Petroleum Industry War Council, appointed as an advisory group to the Petroleum Administrator for War, has sustained the position of the petroleum industry and recommended an upward adjustment of prices.

The National Crude Oil Advisory Committee, appointed by the Price Administrator, has conducted a thorough investigation, under procedure approved by OPA, of the cost of finding, developing, and producing crude petroleum, and on February 11, 1946, filed its report with the OPA, in which it has concluded that the [reading]:

existing crude petroleum maximum price ceilings are insufficient to permit the normal exploratory and development operations needed to provide adequate petroleum reserves in this country sufficient at all times to maintain a readily available supply of producible crude petroleum for national security and to meet the indicated military demands and the normal expansion in civilian and industrial requirements for petroleum products.

The report further states:

Supply and demand are now in substantial balance, and the reduced volume of crude production required in 1946 is a little smaller than productive capacity within maximum efficient rates.

It is the position of the association which I represent that there is no longer a basis for price control in the oil industry. Actual daily

production for the week ended April 13, 1946, averaged 4,691,400 barrels. Runs to stills estimated on the Bureau of Mines basis were approximately 4,636,000 barrels per day. Thus, without any consideration being given to imports, current domestic production of crude petroleum exceeded total runs to stills by 55,400 barrels per day.

The declaration of purposes as contained in the Emergency Price Control Act of 1942, as amended, makes it clear that the intent and purpose of the law was to assure a supply of any materials necessary for national defense and to stabilize prices in order to eliminate and prevent profiteering, hoarding, manipulation, speculation, and other disruptive practices resulting from other abnormal conditions or scarcities caused by or contributed to by the war, in order that an adequate supply of critical materials and commodities may be available for both military and civilian uses at noninflationary prices.

The dangers anticipated by the Price Control Act do not now exist with respect to the oil industry, because supply and demand for crude petroleum and its products are in balance.

Following VJ-day and at intervals since, the Administration gave assurance to the public that it would be the policy to withdraw price and rationing controls as fast as the supply in any industry equaled demand. The OPA has failed to act in accordance with this policy insofar as the oil industry is concerned.

It is, therefore, respectfully suggested to your committee that in any extension of price control beyond June 30, 1946, an appropriate provision be included in the act that will make it mandatory upon the OPA to act in accordance with the Administration policy.

In our view, it is highly important that the statute be made self-executing in this respect. We therefore make the additional suggestion that if and when any industry advisory committee, constituted and appointed as provided by existing law, shall have found and certified to the Administrator that conditions exist in any industry which qualify such industry as being eligible for the withdrawal of price controls under the policy announced by the Administration, the OPA shall forthwith withdraw such controls.

No concern need be felt that removal of price controls in the oil industry will result in runaway and inflationary price raises for crude and refined products. The statistical position prevailing in the industry dissipates any argument to the contrary.

As recently as Friday, April 12, leading petroleum economists advised the Interstate Oil Compact Commission that it was estimated that runs to stills at refineries would about equal domestic crude oil production. This group of counsellors, acting as the Commission's economic advisory committee, reported partly as follows:

The committee has not undertaken to prepare for this meeting a complete forecast of demand for the year 1946 but recognizes that the Compact Commission is interested in the probable future outlook, particularly the quantity of crude oil that will be needed to meet demand. Based on their work with statistics in the industry, the committee members have indicated estimates as to the volume of crude oil required in 1946, ranging between 4,400,000 and 4,500,000 barrels daily. These estimates may be compared with the demand for domestic crude oil of about 4,520,000 barrels daily in the first quarter of this year, which may have included some nonrecurring demands. They also indicate that demand will probably remain near recent levels on the average for the year, although temporary needs such as the urgent requirement of the Navy for fuel oil and seasonal fluctuations may cause some variations from the average.

Senator MILLIKIN. May I ask you how your storage is now, as against, say, 1941?

Mr. PORTER. Well, storage is practically at an all-time high, both as to the crude and refined products. I haven't got the figures exactly, Senator. [Reading:]

Individual estimates by members of the committee show refinery crude runs to stills about equal to domestic crude oil production. Imports of crude oil are expected to offset approximately the exports of crude oil and the use of crude oil as such.

Further, and of high significance to the consumer, we are entering the period of seasonal rise in consumption with gasoline stocks of 102,000,000 barrels, which is near an all-time peak. Of additional reassurance to the public is the fact that transportation of petroleum is fully back to normal, so completely restored that the Government discontinued some months ago the use of the Big Inch and the Little Big Inch pipe lines.

There is nothing complex about the economics of the oil industry. Those engaged in the industry are practical men, and they are concerned with facts. The economic facts of the industry are simple. The industry's purpose is to get available oil products to its customers in a plentiful supply at the lowest price consistent with a healthy industry.

To the best of its ability, the oil industry is intent upon carrying out this obligation to serve the public interests. Petroleum supplies are now and will be more than ample to meet all foreseeable demands if they are not subject to arbitrary and unrealistic price structures. If the industry is permitted to operate under the flexible law of supply and demand, it is entirely confident that it can furnish an adequate and continuous supply of crude petroleum and its products at fair and reasonable prices.

A further continuation of price controls, particularly within the oil industry, is fraught with certain economic hazards which we cannot escape. Continued oppressive and unfair prices in any major basic industry obviously mean curtailment of production. Curtailment of production in any such industry is reflected in new hardships to the American public and a greater lowering of living standards, because scarcities necessarily develop increased prices, which eliminate the ability of the public to use the products produced as the prices increase.

In the case of the oil industry, continued price controls at subnormal levels will curtail expansion and finding of new petroleum reserves as a backlog to a continued healthy condition in the industry, resulting in weakening the ability of the industry to perform one of its paramount obligations to the public in providing at all times adequate reserves, first, for the national defense; second, for civilian uses; and third, the service of expanding and developing new products for the benefit of the public.

With the decrease of production and a further curtailment of searching for and finding new petroleum reserves, shortages of current available supplies will develop. This necessarily will result in inflationary prices. Such is the cost to the public of a controlled economy when controls are carried beyond a great national emergency such as war.

A free economy cannot exist without free prices. They are one and the same. Any argument to the contrary is elusive. To proceed

on any other basis will lead us to bottomless pitfalls in the economic structure. Free prices are so definitely the core of a free economy that the statement must be accepted as axiomatic.

Prices are the reflections of economic conditions and decisions, and free decisions in the economic world have no other means of expression than through free prices. Economic decisions, like prices, are controlled by the immutable law of supply and demand. All we ask is that the industry be permitted again to function within the realm of this economic principle. The history of production and prices in America is such as to warrant the confidence and faith that a system of free and competitive enterprise is the best yet devised.

Senator TAYLOR. Are there any questions of the witness?

(There was no response.)

Senator TAYLOR. I guess not. Thank you, Mr. Porter.

Mr. PORTER. Thank you.

(Thereupon, Mr. Porter withdrew from the committee table.)

Senator TAYLOR. Mr. W. L. Mallon, president of the National Automobile Association.

STATEMENT OF W. L. MALLON, PRESIDENT, NATIONAL AUTOMOBILE DEALERS ASSOCIATION, NEWARK, N. J.

Senator TAYLOR. We are glad to have you with us, sir. Let us have order, please. You may proceed.

Mr. MALLON. Mr. Chairman and members of the committee, I am W. L. Mallon, a retail automobile dealer of Newark, N. J., and also president of the National Automobile Dealers Association. Our national headquarters are at 1026 Seventeenth Street NW., Washington, D. C. I and all other officers of the association, except the executive vice president, serve without salary.

Our membership today consists of a vast majority of the more than 30,000 presently active dealers in the United States. Before the war there were in excess of 40,000 dealers nationally. The 10,000 or more, put out of business by the war, probably will return to the trade if and when conditions stabilize and financing can be arranged by them.

Of these prewar dealers, exactly 15,695, or about three-eighths, were located in the 20 States represented by members of the Senate Banking and Currency Committee. Today, within your States, there are only 11,999 dealers left in business. The mortality among your dealers, due to complete stoppage of new car production between January 1, 1942, and July 1, 1945, and only a trickle of new cars since then, has been one out of every four. This is in direct ratio to the national average of new car dealer mortalities since 1941.

Senator MILLIKIN. A lot of the three out of four have just been scraping along, have they not?

Mr. MALLON. Yes, sir, Senator; just hanging on by their teeth.

Later, I shall divide that picture showing in detail how local dealers in each of your 20 States have been affected by the war and OPA restrictions on earnings. Now, however, I want to comment briefly on past dealer relations with the Senate and our present attitude toward OPA legislation.

First, the presently active 75 percent of the peacetime retail automobile dealers of the Nation are under deep obligations to this committee and the Senate for the help you have given us in the past.

Without your aid in passing the Murray-Patman Act, early in the war, even the three out of four peacetime dealers would not be servicing the public. For your valuable help, we are sincerely grateful.

As to the OPA, we never have advocated and do not now advocate complete abolition of the agency at this time. We feel strongly that OPA has not given due consideration to the unusual difficulties of many small businesses like ours which were deprived in full or virtually so of supplies of their principal stocks during the war, and that this situation should and will be remedied by congressional action.

In fact, the subsection designed to grant temporary aid to such specially hard hit retail lines which we shall ask you to approve already bears House approval. It was endorsed 15 to 6 by the House Banking and Currency Committee and later approved without objection on the House floor as a part of the committee bill. We should like to emphasize that the proposed amendment in behalf of which we are appearing was not one of the many amendments added to the OPA bill on the House floor. It was a part of the original committee-approved bill.

NADA is and has been for several months in wide disagreement with OPA on various matters of fact regarding the condition of our industry and the fairness of certain major OPA profit control policies as applied to us. These I shall discuss later in detail. There are certain indisputable facts about what has happened to the retail automobile dealers of the Nation since their new car supplies were frozen on January 1, 1942, to which I now wish to call your attention. Knowledge of these facts is imperative to intelligent consideration of our problems. Unfortunately, these facts are not generally realized outside the trade and OPA studiously avoids any reference to them when discussing automobile problems on the air, in press releases, and before congressional committees.

Here are some of the facts about the retail automobile business of the United States which cannot be refuted:

1. One-fourth of all the dealers who were in business in the Nation in 1941 have been forced to close their doors.

2. Between January 1, 1942, and January 1, 1946, due to stoppage of new passenger-car production, dealers sold no new cars except 569,990 rationed by the Government. If new cars had been available and 1941 new car sales averages had been maintained during the 1942-45 period, dealers would have sold, exclusive of rationed units, a total of 14,354,674 new cars which they did not sell. Gross proceeds of such sales would have amounted to about \$15,000,000,000 and the gross profit on such a group at an average retail price of \$1,000 each would have been \$3,445,000,000. That staggering sum is gross profit that the dealers of this country doubtless would have earned as a minimum. That minimum suggestion probably is too low as during the four carless years, national income increased a total of approximately \$200,000,000,000. But even the lost \$3,500,000,000 in gross profit is a tidy sum that is gone, and which dealers can never recover.

3. During this same 1942-46 period, the number of passenger cars in use in the entire Nation dropped from 29,601,774 to 25,301,345, a dead loss of 4,300,429.

Every time one of these cars went out of service, some dealer lost at least a part of service and supply income estimated at a minimum of \$200 a year. Thus, between 1942-45 dealers, along with exclusive

service and supply men, lost through cars going out of service an estimated total of \$2,762,704,800 in service and supply income alone. That, too, is gone beyond recovery.

Senator TAFT. Now, I think all those figures are wholly irrelevant, I am sorry to say. I don't think they have any bearing on the question at all. Those are imaginary profits that did not occur. Many men went to war, 10,000,000 of them, who gave up all the profits in their business. Many of the automobile dealers went to war themselves.

This is a theoretical profit that might have been created if we had not had a war. I think that is wholly irrelevant in our present situation.

Mr. MALLON. The reason that was included in the statement, sir, was due to the fact that OPA on three different occasions has testified to the profits that the dealers made during that period, and we have inserted those figures to show what they did not make.

Senator CAPEHART. How much profit does the OPA claim the automobile dealers made?

Mr. MALLON. They claim according to the latest figures on car operations alone they could save 50 percent of their margin.

Senator CAPEHART. It seems to me like either Mr. Porter or Mr. Bowles testified before this committee in the last 10 days that the profit of automobile dealers was greater the last 4 years than it was the previous 4 years.

Mr. MALLON. By percentage he testified to that. He said 200 percent greater in 1944.

Senator CAPEHART. Yes.

Mr. MALLON. Is that what you refer to?

Senator CAPEHART. Yes; it was in substance that. You deny that to be the fact?

Mr. MALLON. If it was 200 percent greater it rises from a quarter of 1 percent up to five-tenths of 1 percent.

Senator CAPEHART. Well, I believe I questioned the figure at the time. I just can't see how the automobile dealers of America have been able to make as much money during the past 4 years with no new cars to sell, as they did when they were selling about 4,000,000 cars a year. Do you have any figures at all to prove the average earnings on any basis?

Mr. MALLON. During the period of 1942-1943-1944-1945 there is no official governmental report available, sir. The surveys such as have been made have been spotty for the reason that due to lack of help the dealers have not been in a position to fill out questionnaires. They have been very short of help, sir, on account of the war.

Senator CAPEHART. Do you or the Government know how many used automobiles were sold, say, during the last 12 months, by the dealers of America?

Mr. MALLON. No, sir; there is no such record available at this time.

Senator CAPEHART. Is there a record available as to what was sold in 1942, 1943, and 1944?

Mr. MALLON. They have not been completed, again, because of lack of help in the State departments which compile those figures.

Senator CAPEHART. Would you say that the automobile dealers sold half as many used cars in each one of the war years as they sold new cars in the prewar years?

Mr. MALLON. We are here representing the new-car dealers, the franchised dealers.

Senator CAPEHART. Does not every new-car dealer also sell used cars?

Mr. MALLON. Yes, sir. I will lead up to that. The fact is during 1942 and 1943, and up to July 1944, the enfranchised dealers and the used-car dealers accounted for between 75 and 80 percent of the used-car sales in the country, and the other 20 percent were individual sales. When the used-car price ceiling became effective July 10, 1944, the trend began to change very radically, so that at the present time the automobile dealers, the enfranchised dealers—new-car dealers—and the representative automobile dealers who have always been in business, and not the ones who have popped in due to this black-market condition, it changed around so that the regular dealers now are selling about 10 to 15 percent at the most.

Senator CAPEHART. OPA sets a maximum price on used cars at the moment?

Mr. MALLON. That is correct.

Senator CAPEHART. And they require you by law to give that maximum price in trade on a new car, do they not?

Mr. MALLON. Their regulation stipulates an "as is" price and they require the dealer to give the "as is" price, less the cost of conditioning the car for resale.

Senator CAPEHART. For example, if I have a used car and the OPA ceiling is a thousand dollars, you must allow me a thousand dollars on a trade-in of that old car for a new one?

Mr. MALLON. Less any money required for reconditioning it.

Senator CAPEHART. Reconditioning according to OPA standards?

Mr. MALLON. Yes—that you put it in serviceable condition. That is the way it reads.

Senator CAPEHART. So that it runs—it does not guarantee it will run?

Mr. MALLON. You would be surprised in the cases coming into the OPA, what they think a car ought to do.

Senator CAPEHART. Supposing I have a car and the OPA ceiling on it is \$1,500; I want to trade it in to you for a new car that has a ceiling on it of \$1,200. You would have to pay me \$300 difference.

Mr. MALLON. I wouldn't have to do it. I would if I did business with you, but up to the moment, that is one thing—

Senator CAPEHART. Well, a man having a used car worth \$1,500 and he wants to buy a smaller car, he is estopped from doing it unless the dealer wants to give him a check for \$300.

Mr. MALLON. Not exactly; no, sir. He is not estopped because he has a used-car market that he can go and get cash for it.

Senator CAPEHART. He can sell it for cash for more than you would give him?

Mr. MALLON. That is right.

Senator CAPEHART. Do you think the OPA ceiling on used cars is too high?

Mr. MALLON. I don't think, I know it. The ceilings on 1941 models are above the prices that have been established on many of the new cars.

Senator MILLIKIN. Well, when the new cars come out these ceilings that have been put on second-hand cars will collapse.

Mr. MALLON. They naturally will. They will be forced down, but OPA has made the statement they don't intend to withdraw the used-car-price ceiling. Therefore, when a man comes in to trade a car he knows what that used-car-price ceiling is and he insists upon getting it.

As I said before, you don't have to give it, though, but it is a stumbling block in the way of carrying on a legitimate business.

Senator CAPEHART. Senator Millikin, if the ceiling on a used car is a thousand dollars and you trade a new car for it at \$800, you are subject to prosecution by OPA. That is correct, is it not, Mr. Mallon?

Senator MILLIKIN. My point is that these second-hand cars when the supply of new cars come in will occupy the traditional relation of a second-hand car to a new car, which means that those ceiling prices will collapse. The value won't be there.

Mr. MALLON. The market is bound to drop very rapidly as soon as the new cars get in production at all.

Senator MILLIKIN. Are you going to give us any kind of estimate as to how fast this new-car business is coming back?

Mr. MALLON. I can give you that right now.

Senator CAPEHART. Mr. Chairman, one other question.

Why has OPA insisted on placing such high prices on used cars and has denied the producers of other needed merchandise, such as clothing and other small products—do you know any reason for that? There may be some good reason for it.

Mr. MALLON. I am sorry, I am not very familiar with clothing.

Senator CAPEHART. They try to keep the cost of living down to the people and yet they have permitted the setting of prices on used cars that are beyond the means of the returning veterans to purchase them; beyond the means of anybody to purchase them.

I had an accident not long ago and broke my leg and the car was completely destroyed, and the OPA ceiling on that car was more than the car originally cost 4 years before.

Senator TAFT. Were they not just trying to beat the black-market price?

Senator CAPEHART. Well, could whoever is here from OPA tell me why they have been so liberal in making the American people pay what is considered an exorbitant price for used automobiles, and made it impossible for servicemen to buy used automobiles, yet been so niggardly on commodities and things that are so badly needed, that are in such short supply, such as food, clothing, and other things? What is the reason for that?

Mr. HOLDER, Director, Automobile Industry Division, Office of Price Administration. I will be very glad to answer that question, Senator.

Senator CAPEHART. I would like to know the reason for it.

Mr. HOLDER. There were until July 1944 no ceilings on used cars. They had been exempted from the beginning of price control for a number of reasons. The market moved up fairly steadily during the first 2 years of the war. We had several times approached the dealers and indicated we were considering ceilings.

I might say that the imposition of ceilings was violently opposed by Mr. Mallon's organization, and a number of others, for a number of reasons.

In the first place, it seemed pretty important during a period of time when no cars were being produced and what there was was being rationed, to encourage the transfer of cars and sale on the open market. Undoubtedly the higher price level contributed to that. Other agencies of the Government felt it was pretty important as well.

In January 1944 we served notice on the dealers that unless the inflationary movement was stopped we were going to put ceilings on. Prices continued to rise month by month and in July 1944 we established the ceiling at about the level of the prices existing in January.

I would say that the upward movement in prices came entirely in the early war years and was the result of the absence of price ceilings. Since those prices were established we have reduced them each 6 months by 4 percent, so that they have come down, I believe it would be a total of 12 percent, since they were first established.

Now, that is in recognition of the depreciation that has gone on and the wear that those cars have been given.

Senator MILLIKIN. In recognition of what, please?

Mr. HOLDER. Of the wear on those cars and some measure of the depreciation, Senator, which has taken place.

Senator MILLIKIN. Great scott. A second-hand car depreciates more than 4 percent a year, does it not?

Mr. HOLDER. Four percent every 6 months. That would be slightly over 8 percent a year.

Bear in mind on that most owners gave their cars extra special care during wartime. A car was almost a priceless commodity. Probably the car owner had his car serviced much more often than he would in normal times when cars were easily available. We think the value of those cars held up somewhat better than it would in normal times.

Senator TAFT. For nearly a year after you put the ceilings on most of the cars were sold in the black market above the ceiling, were they not? That was the complaint we had from the dealers that they couldn't get any cars to sell.

Mr. HOLDER. With the pressure on those prices, we have had a good deal of trouble in enforcing the ceiling. It took our enforcement people a while to catch up with some of the tricks that were going on. Only recently you have read about the spectacular smash of black markets in Detroit and elsewhere.

Senator TAFT. Mr. Mallon, the thing that bothers me is this about this idea: I cannot see why a retail dealer in automobiles should be treated any differently during the next year than any other retail dealer. I cannot understand this theory that because the exigency of war destroyed the business, as it destroyed the business of course, of many other people during the war, they should therefore be treated any differently. I am anxious to see them in 1946-47 get a fair margin of profit.

You don't advocate that we should have gone on making automobiles during the war? That was just a circumstance resulting from the war. Certainly we are not going to try to make up in increased profits to you this year something you may have lost last year, any more than we are going to give the veteran a wider margin than some other fellow who is not a veteran because he sacrificed for the last 4 years.

I don't understand the argument. I don't see the basis for this House amendment that says that this particular margin shall be established only for people who suffered in production during the war. I don't understand any economic basis for such a proposal.

Mr. MALLON. You have two or three lines, Senator, in which the production was entirely stopped, and there was no substitute for the merchandise. There were other commodities as to which production may have been stopped, but the merchant handling those commodities was always able to obtain a substitute and keep functioning.

Senator TAFT. I understand that, but I say it should have no bearing on what margin you are going to get next year. I cannot see any reason for it. We are trying to set up a system to enable merchants to get reasonable profits and to encourage production and distribution, but we are not trying to recompense people for what happened in the war. That is a perfectly hopeless task.

Mr. MALLON. I think, possibly, Senator, that as I proceed here it will clear up.

Senator TAFT. That is why I think these figures are wholly irrelevant. They make no impression on me whatever.

Senator CAPEHART. I think Mr. Mallon is using those figures to refute what Mr. Bowles has been saying.

Senator TAFT. I am very glad to have him refute Mr. Bowles. My point is that I do not think it makes any difference what the automobile dealer got when his business was out of existence for all practical purposes, and what he ought to get when the business is now in existence again. If there is going to be an amendment like this protecting retail dealers, I think it ought to apply to everybody, whether they suffered or did not suffer during the war; and I am in favor of such an amendment.

Senator CAPEHART. They should get the same historical percentage they were getting before.

Mr. MALLON. The same percentage, Senator, is what we think is proper.

Senator TAFT. I understand you do not want to change the percentage, and I think there is a good argument for that, although in some industries they are entirely satisfied with the dollar margin, which would make a difference of about 10 percent or so.

Mr. MALLON. It would make quite a little difference in our business.

Senator TAFT. What has OPA cut you down to now?

Mr. MALLON. From twenty-four percent average, down to 16½ percent.

Senator MITCHELL. You said there was no substitute for the loss of new-car sales; but in the OPA figures it shows a practical substitute of parts, accessories, and services which made up the bulk of your business, as comparing 1939 with 1944.

Mr. MALLON. Senator, a dealer establishment is set up basically to handle new cars. That has always been the larger percentage of our business; and we have a used-car department, which is much smaller. We have always had service and always had parts. A large proportion of the expense of operating a dealer establishment is paid from the income derived from the new-car sales. When the new-car sales disappeared it is true that in the early years of the war the volume of the service department picked up; the parts department in some cases picked up, but in the last 2 years that has not been so, due to the fact that we have been unable to obtain the parts. There has been

a scarcity of parts, and, consequently, we could not do the repair work and the special care that Mr. Holder referred to. There are a lot of owners that would like to have it done, but we were absolutely estopped from doing it because of lack of parts.

Senator MITCHELL. You mean, in the last 2 years, 1944 and 1945?

Mr. MALLON. Yes, sir.

Senator MITCHELL. The figures are for 1939 to 1944, and show the percentage of business from various sources. The sale of vehicles was 84.4 percent for 1939 and dropped to 41.3 percent in 1944; but the sales of parts and accessories, which is 8½ percent in 1939, went up to 31.7 percent in 1944. Services amounted to 6.2 percent in 1939 and went up to 22.4 percent in 1944.

Mr. MALLON. Senator, I will have to point out, sir, that those figures were compiled from a survey made of 300 dealers selected by OPA. That is less than 1 percent of the dealers in the business.

Senator MITCHELL. Can you give us the comparable figures for a larger segment of the industry?

Mr. MALLON. I do not have the figures right here comparable to what is in there, because, as I said before, there is no way of obtaining them.

Senator MITCHELL. Is there anything on which the committee can reach a judgment as between your figures and those of the OPA?

Mr. MALLON. We can reach an estimate.

Senator MITCHELL. This is based on a study of 300 dealers.

Mr. MALLON. It is not representative of the industry at all, particularly when you select them.

Senator MITCHELL. But it is the only actual survey that the committee has to go on.

Mr. MALLON. It is my contention that the OPA is making decisions without having the proper knowledge and information to make them justly and fairly.

Senator MITCHELL. Apparently they have more figures than the industry has.

Mr. MALLON. These figures were compiled by sliderule methods, but they are not representative figures.

Senator CAPEHART. We certainly can all agree that they sold less new tires.

Senator MITCHELL. On dollar profits, another point in the OPA statement, I would like your comments. They say [reading]:

Making allowances for decrease in volume, increase in margin and increase in operating costs, we note this result in dollar profits before taxes.

Using 1939 as 100, in 1941, which they say was the best year in history, it was 331, and 1944 was 275. They say that 1945 was based on the first half of the year, multiplied by 2.

Mr. MALLON. That is correct. That is what they say.

Senator MITCHELL. I know individual operators who, at the start of the war, put aside a sizable fund to carry over losses during the war, and I know that that fund in some cases is still intact. It was never necessary for the operator to use that backlog; he still has it for any future use.

Mr. MALLON. Senator, it is no doubt a fact that there is an upper strata among the 30,000 dealers, maybe 5 percent, maybe 10 percent, who have this backlog that you are talking about. They are sitting fairly comfortably and, unquestionably, are going to pull through.

There is also a lower element, maybe 5 percent at the bottom, maybe 10 percent, that won't pull through at all. But in between there is about 80 percent which represents an industry that is very important to this country. If we are to get back into normal production of cars we have got to have these dealers in there to distribute them and service them. It is that bunch in there between the two stratas that we are talking for as an association.

I appreciate that there are some dealers who are in position to carry through, but they are not the vast majority. The vast majority of dealers, Senator, sell less than a hundred cars a year, and it means a lot to them whether they make \$70 a car or whether they make \$100 a car. Sometimes the difference of \$30 per unit represents their whole return for the year.

Senator MITCHELL. I do not see how these figures would work out in your outline of the historical conditions at all: 5 percent lost and 80 percent broke even?

Mr. MALLON. I do not say they broke even. I say they are the ones we are trying to save.

Senator MITCHELL. The top 5 percent would have to make a tremendous amount of money to triple the 1939 profit. Are you going into this as you go along?

Mr. MALLON. I had not paid any attention to those figures particularly, Senator, for the reason that I am covering those figures in my statement, saying that they do not represent the industry. I might call attention to the fact, however, that if you go over to the Bureau of Internal Revenue you will find that there were 9,400 dealers, incorporated dealers, who made an official return to the Government, and in 1939 the average net profit was four-tenths of 1 percent before taxes. In 1940 it was seven-tenths of 1 percent before taxes, and in 1941 it was 1.82 percent.

Those are Government figures. They are taken right from the Government records, and we believe that those are the figures that should obtain and should be given consideration. They are official.

The average, by the way, for the 3 years was 1.07 percent of the great volume of business for those 3 years: 1939, 1940, and 1941.

Senator CAPEHART. Mr. Chairman, I think we can all agree on these facts, that they certainly sold less cars during the war; they certainly sold less new cars during the war; certainly sold less accessories during the war; they certainly sold less used cars during the war. The only place where they could possibly increase their business, and I think they did, was on repair work. I think if we would consider we would have to admit that they sold less tires, less cars, less accessories, and that they did more repair work.

Senator MITCHELL. The OPA figures indicate that they sold about 5 percent more used cars. In 1939 the used-car business was 24.3 percent; in 1944 it was 29.3 percent.

Senator CAPEHART. That may be true; but it would be hard to get the average person to believe that.

Mr. MALLON. That is percentagewise; a less volume of cars, I think, Senator Mitchell.

Senator CAPEHART. Is that in dollars?

Senator MITCHELL. Apparently in dollars.

Mr. MALLON. The prices were up, sir.

Senator TAFT. I cannot see the relevancy of this at all. I do not think Mr. Bowles' talk is relevant and I do not think yours is. I think our job is to see that this dealer organization is properly compensated and properly maintained and not persecuted by the Price Administration by too-low figures. The Government must concern itself with restoring the industry to more or less a normal condition, rather than concern itself with what happened during the war.

Senator CAPEHART. Of course, Mr. Chairman, I would like to say that I think OPA should operate all of its business on the basis of current costs.

Senator TAFT. Yes.

Senator CAPEHART. I do not think that 1936, 1937, 1938, or 1939 have much to do with it. We should be realistic about the whole thing, and OPA should, and let all prices and all costs be based upon present-day business, not what it cost 6 or 8 years ago.

Senator MILLIKIN. I should like to suggest that in any formulas we should be sympathetic to the troubles that this business has had.

Senator TAYLOR. You may proceed, Mr. Mallon.

Mr. MALLON. Out of deference to Senator Taft, I will not take any time, sir, in referring to any of these tables. I think you will find them quite instructive. Your own States have stars in front of them. I think you may be interested to notice that in some of them you have dropped down in the sale of cars very materially. It does make a big difference in the dealer's operation. You want to remember that he still has the same overhead to maintain. He still has the empty showroom.

Senator TAFT. But there may be thousands of new dealers who were not in business at all before, who are now coming in and get full advantage of this margin, so we cannot make the margin wider than it ought to be. It ought to be a proper margin; and I would say, in the absence of any further evidence to the contrary, that this historic margin may be presumptively correct, unless something else is shown.

Mr. MALLON. May I emphasize the fact that we are not asking for any increase in the margin. I would like to emphasize that, sir.

4. Rationing by OPA of gas and tires for the 25,000,000 cars which ran throughout the war took another sizable bite out of dealer incomes. This loss is estimated, on a basis of \$100 a year per car, which is low, at a total gross of \$10,000,000,000 for 4 years.

The foregoing reductions in new car, service, and supply volume for the 4 years are indisputable. They total more than 27¼ billion dollars gross. Dealers sustained \$15,000,000,000 of the loss 100 percent and shared deeply in the other 12¼ billion. Therein lies the explanation of the high wartime mortality of dealers in your States and the State of every Member of the Senate.

That you and all other Members of the Senate may realize just what has happened to your own dealers throughout the United States since 1942, I have had prepared from complete national official figures, and not from estimates or partial "samplings," tables showing national and local dealer business mortalities, new-car sales, and cars junked for the 1942-46 period. I shall not bother to read the details for all States, but I shall call attention to what has happened to dealers in the home State of each member of this committee between January 1, 1942, and January 1, 1946, the four worst years of dealer experience.

The average mortalities for your home States run in almost direct ratio with the national averages. About 1 out of every 4 dealers in your States have passed out. The smallest percentage is found in Virginia where it is 11.8 percent and the highest in Washington, with 29.8 percent. The table embraces conditions in all States, but I shall read only compilations from States represented by members of this committee.

(Tables A, B and C, referred to and submitted by the witness, are as follows:)

TABLE A.—Number of franchised passenger-car dealers, as of Jan. 1 of each year

	1942	1945	Loss 1945 over 1942	
			Number	Percent
*Alabama.....	405	347	58	14.3
*Arizona.....	147	113	34	23.1
*Arkansas.....	363	310	53	14.6
*California.....	1,381	1,383	498	26.5
*Colorado.....	446	332	114	25.6
*Connecticut.....	550	399	151	27.5
*Delaware.....	72	59	13	18.1
District of Columbia.....	84	58	26	31.0
Florida.....	476	365	111	23.3
Georgia.....	579	477	102	17.6
*Idaho.....	316	243	73	23.1
Illinois.....	2,270	1,793	477	21.0
*Indiana.....	1,166	930	236	20.2
*Iowa.....	1,359	998	361	26.6
*Kansas.....	947	687	260	27.5
*Kentucky.....	589	515	74	12.6
Louisiana.....	393	329	64	16.3
Maine.....	352	307	45	12.8
*Maryland.....	457	370	87	19.0
Massachusetts.....	1,071	872	199	18.6
Michigan.....	1,791	1,369	422	23.6
Minnesota.....	1,379	989	390	28.3
Mississippi.....	1,391	322	69	17.6
Missouri.....	1,011	808	203	20.1
Montana.....	365	283	82	22.5
*Nebraska.....	662	505	157	23.7
*Nevada.....	81	63	18	22.2
*New Hampshire.....	219	180	39	17.8
New Jersey.....	1,043	815	228	21.9
New Mexico.....	171	136	35	20.5
*New York.....	2,788	2,132	656	23.5
North Carolina.....	745	612	133	17.9
North Dakota.....	476	350	126	26.5
*Ohio.....	2,188	1,557	631	28.8
Oklahoma.....	663	522	141	21.3
Oregon.....	451	345	106	23.5
Pennsylvania.....	3,041	2,439	602	19.8
Rhode Island.....	163	115	48	29.4
South Carolina.....	389	307	82	21.1
South Dakota.....	394	297	97	24.6
Tennessee.....	475	388	87	18.3
Texas.....	1,850	1,484	366	19.8
*Utah.....	194	159	35	18.0
Vermont.....	195	151	44	22.6
*Virginia.....	684	603	81	11.8
*Washington.....	731	513	218	29.8
West Virginia.....	478	376	102	21.3
Wisconsin.....	1,616	1,247	369	22.8
Wyoming.....	191	156	35	18.3
United States of America.....	38,748	30,110	8,638	22.3

Source: Chilton.

Mr. MALLON. The next table consists of official national figures on new-car sales during our last year of full production (1941) and on sales of rationed cars sold by dealers 1942-45, inclusive. It is difficult to imagine stronger proof of severe income losses suffered by dealers than this table provides. From a national total of 3,731,166 new cars

for sale in 1941 the total for 1945 fell to 7,676. Practically only rationed cars were sold during 1945.

Imagine, if you can, a great State like New York having sales of 331,730 new cars in 1941 and only 619 in 1945; Ohio with 256,034 in 1941 and only 300 in 1945; California with 276,649 in 1941 and 651 in 1945; Indiana with 122,224 in 1941 and 133 in 1945; and some States, such as Arizona, Idaho, Delaware, Nevada, New Hampshire, having no more than 35 and as few as 10 new cars for sale last year.

So impressive is this table that I want to read to you the number of new cars dealers had for sale in your States first in 1941 and then in 1945. I urge you to especially remember these contrasting totals. They seem quite important to us when we have repeatedly to answer the absolutely false OPA contention that nationally automobile dealers throughout the war made more money than they ever did in all previous history.

TABLE B.—*New passenger-car sales, by States, 1941-45—New-car registrations and deliveries under rationing*¹

State	1941	1942	1943	1944	1945
*Alabama	42,453	3,816	3,596	988	131
*Arizona	11,603	1,039	1,011	211	15
*Arkansas	23,873	3,149	2,497	507	87
*California	276,649	16,772	22,426	7,150	651
*Colorado	28,054	2,132	1,705	414	65
Connecticut	64,606	3,737	2,352	957	110
*Delaware	11,371	879	544	111	13
District of Columbia	39,185	1,842	1,171	555	92
Florida	57,598	4,250	3,887	1,456	164
Georgia	59,300	8,471	5,089	1,627	150
*Idaho	13,842	1,340	797	185	33
Illinois	274,142	24,249	12,083	4,275	542
*Indiana	122,224	11,314	5,219	1,306	133
*Iowa	66,508	4,958	3,512	578	76
*Kansas	49,776	4,471	3,439	1,018	101
*Kentucky	42,011	3,462	2,479	775	85
Louisiana	43,504	3,866	3,938	1,599	242
Maine	20,043	2,079	1,192	506	67
*Maryland	56,579	5,613	3,105	1,097	165
Massachusetts	125,603	4,042	5,678	2,701	295
Michigan	258,733	21,680	10,880	2,943	302
Minnesota	77,038	8,207	3,946	1,111	137
Mississippi	26,931	2,338	2,435	677	84
Missouri	102,684	10,921	4,825	1,384	223
Montana	17,142	1,808	894	230	30
*Nebraska	32,452	3,160	2,238	576	73
*Nevada	4,368	728	566	129	10
*New Hampshire	13,270	690	535	239	35
New Jersey	134,584	6,140	5,284	2,254	312
New Mexico	10,244	743	870	292	36
*New York	331,730	17,046	11,986	4,304	619
North Carolina	65,727	5,165	4,866	936	76
North Dakota	13,621	1,390	1,226	209	27
*Ohio	256,034	22,984	11,859	3,491	300
Oklahoma	46,226	3,351	3,688	1,434	214
Oregon	41,558	3,306	2,505	550	83
Pennsylvania	269,285	21,685	10,394	3,934	429
Rhode Island	22,337	1,231	983	459	67
South Carolina	35,611	2,999	3,062	482	39
South Dakota	12,451	1,577	1,011	158	10
Tennessee	56,115	4,504	3,780	905	112
Texas	174,314	13,771	16,549	6,587	794
*Utah	13,156	1,612	1,520	369	30
Vermont	10,204	697	371	138	19
*Virginia	73,808	6,043	3,927	1,042	102
*Washington	58,613	4,468	3,801	906	72
West Virginia	33,166	2,748	1,412	388	54
Wisconsin	91,109	6,751	3,930	1,257	154
Wyoming	8,700	957	542	182	16
United States of America	3,731,166	290,779	205,805	65,730	7,676

¹ Loss in sales (1941-45), 99.79 percent.

Source: Registrations, 1941, R. L. Polk, deliveries (1942-45), OPA.

Mr. MALLON. Our final table, to which I shall allude only briefly, shows the decline in car registrations throughout the United States between 1941 and 1946. As in the case of dealer failures, the decline was general. Most of the remaining cars listed in this table now average more than 8 years in service. The question of keeping them in operating condition until new car production can replace them is large. The bulk of this repair work will fall on the dealers. For that reason, it is important to every State and community that the dealers be permitted to earn a normal peacetime profit on new cars at least during the time they are getting back on their feet. Such aid will help greatly in rendering good all-around service to old and new cars.

TABLE C.—Passenger-car registrations¹

State	1941	1942	1943	1944	1945
*Alabama.....	335,000	294,150	298,367	282,438	278,493
*Arizona.....	117,712	113,833	109,473	109,523	110,000
*Arkansas.....	213,058	213,767	196,530	190,156	193,875
*California.....	2,618,369	2,579,312	2,427,044	2,321,500	2,238,613
*Colorado.....	306,586	297,660	277,056	262,557	269,616
Connecticut.....	471,845	484,979	445,930	430,209	409,710
*Delaware.....	65,014	55,765	55,081	52,801	53,610
District of Columbia.....	160,267	146,721	120,180	109,625	96,087
Florida.....	490,468	420,510	385,008	404,630	423,158
Georgia.....	463,921	446,947	423,067	424,492	419,290
*Idaho.....	134,612	122,036	113,122	111,797	111,770
Illinois.....	1,826,583	1,749,717	1,592,938	1,518,629	1,508,222
*Indiana.....	934,866	905,874	854,878	805,539	833,908
*Iowa.....	715,108	657,885	615,535	595,542	588,295
*Kansas.....	503,138	505,121	486,679	476,852	476,596
*Kentucky.....	415,764	384,073	365,772	355,534	361,800
Louisiana.....	384,337	338,914	317,799	324,906	322,749
Maine.....	176,619	158,070	145,944	146,227	153,861
*Maryland.....	429,937	427,679	403,745	386,142	379,220
Massachusetts.....	850,348	803,915	722,249	719,215	744,364
Michigan.....	1,540,225	1,458,040	1,376,837	1,339,000	1,307,475
Minnesota.....	773,332	721,951	663,663	644,237	632,659
Mississippi.....	222,665	186,592	183,115	182,573	180,000
Missouri.....	823,158	798,419	730,122	688,276	683,279
Montana.....	147,606	129,431	116,229	110,617	108,625
*Nebraska.....	354,598	347,023	334,810	327,080	331,076
*Nevada.....	38,636	40,369	40,548	37,106	35,583
*New Hampshire.....	109,998	96,734	84,823	88,703	95,113
New Jersey.....	1,024,587	967,984	872,049	843,168	860,000
New Mexico.....	98,805	87,357	81,489	82,222	86,823
*New York.....	2,519,066	2,266,048	1,958,603	1,936,418	1,943,673
North Carolina.....	563,357	533,145	506,655	475,145	502,700
North Dakota.....	152,107	142,251	135,075	133,434	131,468
*Ohio.....	1,918,529	1,869,416	1,780,425	1,696,528	1,684,390
Oklahoma.....	479,363	437,812	407,324	390,488	391,800
Oregon.....	353,902	342,349	333,688	331,641	330,000
Pennsylvania.....	2,016,420	1,892,102	1,706,722	1,645,154	1,686,853
Rhode Island.....	178,281	167,242	152,009	152,253	156,490
South Carolina.....	336,401	281,135	279,614	279,378	275,410
South Dakota.....	167,796	154,807	147,336	142,678	141,065
Tennessee.....	427,961	391,778	376,360	372,050	368,568
Texas.....	1,441,998	1,317,983	1,272,358	1,204,805	1,273,759
*Utah.....	126,264	129,167	132,723	126,929	126,740
Vermont.....	87,131	79,009	71,424	73,879	78,930
*Virginia.....	484,588	462,774	433,960	431,481	443,239
*Washington.....	522,258	516,792	502,543	505,153	509,140
West Virginia.....	280,539	246,760	224,847	203,032	208,035
Wisconsin.....	793,804	736,903	703,920	686,829	692,575
Wyoming.....	71,157	66,652	62,764	62,068	62,640
United States of America.....	29,601,774	27,974,156	26,019,432	25,298,639	25,301,345

¹ Unit loss (1941-45), 4,300,429.

Source: U. S. Bureau of Public Roads.

Mr. MALLON. Before passing from dealer losses and costs which are indisputable, I should like to mention increased dealer costs of doing business. A survey of more than 2,000 dealers throughout the Nation which NADA made last year and submitted to OPA as a reason for

not cutting our trade discount showed a general increase during the war of 25.91 percent. When questioned by the House Small Business Committee last fall, Administrator Bowles conceded correctness of the survey. Costs have further increased since then.

Senator TAFT. The price of cars has finally been fixed at not more than 25 percent over the prewar price, has it not?

Mr. MALLON. Much less, sir. The price, I would say, on an average, is about 10 percent, or not over 10 percent, Senator.

Senator TAFT. So, an increase of 10 percent would give you a 10-percent increase in dollar proceeds, and against that you claim costs have increased 25 percent?

Mr. MALLON. Yes.

Senator TAFT. So that you would be worse off than you were before the war?

Mr. MALLON. That is correct, sir.

In ordinary circumstances, we should be inclined to rest our case on the basis of the tables just submitted to you.

They tell the story of dealer financial conditions better than anything yet produced by either private or Government sources. The simple reason for this is that they represent accurate national coverage and should suffice for your purposes. Unfortunately, however, the dealers of the United States for months have had to combat OPA statistical presentations of quite a different type than these. They have at times both been incomplete and inaccurate and often have been presented in tricky ways designed to mislead the listeners and leave wholly false impressions. For that reason it becomes necessary that we explain to you the methods used by OPA in arriving at some of its astounding conclusions about dealer earnings, past, present, and future.

It should be made clear, however, whatever we now may say in criticism of OPA activities, dates from the beginning of the administration of Mr. Bowles. Our relations with the agency under Leon Henderson and former Senator Prentiss Brown were of a cordial and understanding nature. Mr. Henderson sought always, as in the case of dealing with our handling charge, to conform to the intent of the law, that established business practices remain undisturbed. Senator Brown brought the late Senator Clyde Herring, of Iowa, into the agency and placed him in direct charge of automobile dealer affairs. Likewise, both Administrators assembled a staff of men experienced in retail automobile work to assist them. These experienced men long since have departed from OPA. The only remaining executive who, before coming to OPA, had any connection whatever with the automobile business, is a man who was formerly employment manager of a radiator factory. He passes on such major policies as reduction in handling charges and trade discounts.

Typical of OPA retail automobile statistical presentations is the studied avoidance in them of the disastrous dealer years of 1942-43. These were the years in which dealers in your States and all other States closed their doors by thousands. Examine past statements presented by both Messrs. Bowles and Porter and you will find the financial results of these years generally ignored. For instance, Mr. Bowles at a House hearing on November 13 last—see page 1505, report on House Resolution 64—in attempting to deny the failure of almost 10,000 dealers from 1942 to 1945, suggested it could not be

true, as Dun & Bradstreet reports showed only 1,222 business failures throughout the country in 1944. He failed to state, however, that this same financial service report showed 9,405 failures for 1942 and 3,221 for 1943.

A recent attempt by Mr. Porter, in a letter to Chairman Spence, of the House Banking and Currency Committee, to make the wartime operations of dealers appear prosperous also failed to mention disastrous 1942-43 income results.

The chief cause of our present grave troubles is a vague survey of the income returns of about 300 unidentified dealers which OPA says justifies the three heavy cost absorption cuts it has imposed upon dealers since last fall. This so-called survey represents a coverage of about 1 percent of present-day dealers and three-fourths of 1 percent of dealers in business at the beginning of the war. All efforts of dealers and the House Small Business Committee to obtain access to this report have failed. OPA says it is confidential. We are in the unpleasant position of having our throats cut with a knife we are not permitted to see.

Senator CAPEHART. Who is representing OPA here?

Senator MITCHELL. Mr. Holder.

Senator CAPEHART. Would it be possible for you to insert in the record the statistics on these 300 dealers, who they were, and how you arrived at the information?

Mr. HOLDER. Senator, we have made public the summarized results of that study. As to the details of individual companies, their identities, and their profits, I believe that under the law that is considered confidential information.

Senator CAPEHART. Where did you secure the information?

Mr. HOLDER. We secured the information directly from the dealers, Senator Capehart. We sent out, I may say, some 2,000 questionnaires in June of last year, and by November we had returned to us less than 350 usable forms.

Senator CAPEHART. Could you insert in the record, then, a copy of the letter that you sent out, and the form that you sent out, and the information you asked for?

Mr. HOLDER. I would be delighted to do so, sir.

Senator CAPEHART. Could you likewise insert in the record the statistics that you arrived at?

Mr. HOLDER. We will be very glad to do so.

Senator CAPEHART. And the method by which you arrived at them?

Mr. HOLDER. Yes, sir.

Mr. MALLON. Mr. Chairman, if that is going into the record, might I ask the privilege of inserting a report of our survey made on 1,952 dealers last fall and testified to before the House committee?

Senator TAYLOR. Yes. You may put that into the record.

(The following was later received for the record:)

NATIONAL AUTOMOBILE DEALERS ASSOCIATION,
Washington, D. C., May 7, 1946.

HON. ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Washington, D. C.

MY DEAR MR. CHAIRMAN: At the specific request of several members of your Banking and Currency Committee, made during my appearance before it on May 2, 1946, I am sending you herewith certain additional facts and statistics in connection with the operations of the more than 30,000 retail automobile

dealers of the United States during the war period. Included in those members requesting these figures in whole or in part were Acting Chairman Taylor and Senators Taft, Millikin, Mitchell, and Capehart.

Two subjects of paramount interest to committeemen upon which additional information was asked were—

1. What were the increased operating dealer costs during the war period, how and when facts about them were made available to OPA, and what consideration, if any, was given to these increased costs by OPA before lowering dealer discounts?

2. Upon what grounds does OPA seek to justify its cuts in dealer trade discounts and what is the dealer comment thereon?

Replies to these requests which follow are based chiefly on information obtained late in 1945 by NADA from 1,952 dealers throughout the United States. The data were collected by the NADA and turned over to the International Business Machine Co. for compilation after coding by regions and car makes. All figures were properly weighted. These compilations then were submitted to the House Small Business Committee and to OPA. After inspecting the figures, OPA officials approved their accuracy.

INCREASED DEALER COSTS

These statistics show a national average increase properly weighted of 25.91 percent in the normal operating costs of dealers during the war period. Included in the survey were 14 expenditures common to every retail automobile operation. The following list shows the increase in detail.

	Percent
1. Make ready for delivery (excluding freight)	28.43
2. Guarantee policy adjustments	26.04
3. Average salary paid (including clerical and sales commission)	29.21
4. Average wage paid	30.04
5. Reconditioning per used car	73.56
6. Miscellaneous supplies (including stationery)	19.07
7. Miscellaneous express and hauling	15.02
8. Rents and leaseholds	34.67
9. Maintenance—buildings	40.30
10. Maintenance—equipment	39.55
11. Taxes other than income	19.17
12. Insurance (including building)	16.75
13. Light, heat, water, and power	14.24
14. Telephone and telegraph	15.98

Subsequent to the compilation of the above statistics, NADA made numerous spot checks indicating an additional general cost rise of 7 percent. Thus the total increased operating costs today over the war period probably are about one-third.

In considering how OPA arrived at the conclusion that dealers could absorb substantial discount cuts to help pay increased manufacturing costs, it is important to remember that at no time did OPA give proper recognition to increased dealer operating costs. If OPA had done this, dealer discounts never would have been reduced.

OPA'S FUTURE BUSINESS GUESSES

OPA's dealer discount cut, which now amounts to 7½ percent, was based on theoretical 1946 retail automobile conditions that have proven tragically inaccurate for the trade. First, OPA decided on the basis of hand-picked reports from less than 1 percent of the trade that the dealer prewar realized margin on new car sales was only 11.5 percent. The remaining 12.5 percent of the established 24 percent trade discount had been lost by bad used-car trades, OPA said. Therefore, all that dealers would need to make in the postwar period in order to equal their prewar margin was 11.5 percent, OPA declared. OPA also insisted that earning of 11.5 percent would be easy.

Here is how OPA predicted dealers in 1946 would make their customary prewar profits, after OPA discount cuts.

1. In November 1945 OPA predicted new car production would reach a 4,000,000 annual average by March 1, 1946.

What happened.—Instead of producing new cars at a rate of 4,000,000 per year by March 1946, manufacturers by April were only producing them at the rate of 786,336 annually, or at less than one-fifth the rate predicted by OPA. Production in April 1946 increased to approximately 132,000, but the outlook

for future production is dark. In response to telegrams from NADA on April 19 all leading manufacturers declined to make any estimates on the volume to be produced in 1946. Consensus of manufacturer opinion was that if the coal strike were settled promptly, if there were no delays in obtaining parts from suppliers, and no additional labor troubles, they might produce 60 percent of the 1941 volume, or approximately 2,245,045 cars in 1946. Steel manufacturers simultaneously stated that if their plants ran full capacity throughout the year they could furnish cold rolled steel for no more than $2\frac{1}{2}$ million cars.

2. OPA insists today that dealers will sustain no net losses on all used cars traded in against new cars in 1946.

This prediction is open to serious question. It is reasonable to assume that a majority of new cars sold in 1946 will involve trade-in of used cars. Under OPA regulations, a dealer trading in a used car against a sale of a new car is required to allow the "as is" price as quoted in the used-car price-ceiling regulation or the "fair market value" of the car. The provision of the "fair market value" in the regulation does in actual application prevent a dealer from making any profit on a car handled on this basis. A number of the high-priced cars must be handled on the "fair market value" basis, because the average selling price on these cars is far below the "as is" price quoted in the OPA used-car regulation, which was established by a slide-rule method.

3. OPA still insists that the gross profit the dealer will make on used cars will offset the net loss previously sustained in the used-car department.

Under OPA regulations, the gross profit a dealer can make on a used car trade-in cannot exceed a maximum of 20 percent of the selling price. From this he pays an average of 6 percent commission to salesmen and the remaining 14 percent in many cases will not more than cover the overhead in operating expenses involved in the transaction. Used-car ceiling prices as now quoted in OPA price regulation are on a high level. As new cars are produced, market prices on used cars will fall rapidly. Under present regulations there is no way a dealer can cover himself for a drop in prices during the 30- to 60-day reconditioning period now made necessary by lack of parts.

A SURVEY OPA IGNORED

Attached is a statement I made before the House Small Business Committee on November 15, 1945, demonstrating with statistics from 1,952 dealer operations the inaccuracy of OPA's position on possible dealer earnings in 1946. The figures are particularly convincing in showing how badly OPA has misjudged the coming used-car market. It is certain that there will be used-car losses in the future as there have been in the past.

It is regrettable that although OPA has had these figures for months, the agency has never used them. Instead of analyzing these accurate statistics, representing the broadest and most recent survey of dealer operations available, OPA has chosen to select a few figures of doubtful accuracy and with them try to justify its cost absorption formula devised during the war.

Repeated statements by OPA officials designed to make congressional committees believe that the agency has had difficulty in obtaining statistical help from NADA are not factual. As early as March 8, 1945, I appealed personally to Mr. Bowles to arrange a meeting between NADA and OPA officials so that NADA might cooperate in the making of needed surveys. At a meeting on April 4, 1945, with Deputy Administrator James F. Brownlee it was agreed that NADA should make a national survey, but our subsequent efforts to obtain guidance from OPA as to acceptable base periods, etc., were futile. We finally had to proceed without instructions. The survey continued, at great expense and effort to NADA, throughout the summer and early fall. There were numerous vexatious and unavoidable delays, but finally, on November 15, 1945, we were able to submit the results of our national survey to OPA. At that time there had been no initial trade discount cut made, and therefore OPA had abundant opportunity to study the figures from 1,952 dealers before making any cut.

The statistics submitted clearly disprove the contention of OPA that the gross profit on used-car operation in the ensuing year would eliminate the used-car losses which OPA claimed had been experienced by the dealers prewar.

Further proof that OPA had the dealer figures when trade discount slashing began follows: On November 16, 1945, a conference was held in the office of Hon. Wright Patman, chairman of the House Small Business Committee, at which time were present Messrs. Ney, Holder, Chandler, and Ketcham from the office of OPA, and Mr. Mallon, president of NADA, and Mr. Sterrett, statistician of

1276 EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942

NADA. Congressman Patman presided and there were in attendance of his staff Mr. Eastwood and Mr. Deegan. At this conference the representatives of OPA, in answer to an inquiry, stated they had examined the figures which NADA had submitted and found they were in line with those that they had developed from their survey compiled from only 300 replies.

The fact is, the NADA figures proved just the opposite of what OPA now claims its 300 reports showed.

Your very truly,

(Signed) W. L. MALLON, *President.*

Average dealer's profit-and-loss statement for the calendar years 1939-41 based on 1,952 returns compiled by International Business Machines

[Tabulations based on NADA survey released Nov. 15, 1945]

	1939	1940	1941	3-year average
(1) New-car sales.....	\$264,000	\$341,070	\$399,060	\$334,710
(2) New-car costs.....	\$208,530	\$268,316	\$311,592	\$262,813
(3) New-car gross profit.....	\$55,470	\$72,754	\$87,468	\$71,897
(4) Percent new-car gross profit to sales.....	21.01	21.33	21.92	21.48
(5) Used-car sales.....	\$122,970	\$147,738	\$181,095	\$150,601
(6) Used-car costs.....	\$133,228	\$165,599	\$193,516	\$164,147
(7) Used-car gross profit loss.....	¹ \$10,258	¹ \$17,961	¹ \$12,421	¹ \$13,546
(8) Percent of used-car loss to new-car sales.....	¹ 3.89	¹ 5.27	¹ 3.11	¹ 4.05
(9) Gross profit retained from new-car sales.....	\$45,212	\$54,793	\$75,047	\$58,351
(10) Percent gross profit retained from new-car sales.....	17.12	16.06	18.81	17.43
(11) Gross profit other departments.....	\$28,671	\$32,908	\$39,529	\$33,703
(12) Over-all gross profit.....	\$73,883	\$87,701	\$114,576	\$92,053
(13) Total operating expense.....	\$65,282	\$76,276	\$92,068	\$77,875
(14) Total net profit.....	\$8,601	\$11,425	\$22,508	\$14,178
(15) Percent net profit to sales ²	1.86	1.99	3.29	2.47

¹ Denotes loss.

² Includes finance reserve earned.

Average profit and loss as compiled by International Business Machines from operating statements of 1,952 dealers for the calendar year of 1941

	Sales	Costs	Gross profit	Percent of gross profit to total sales
New-car department.....	\$399,060	\$311,592	\$87,468	12.79
Used-car department.....	181,095	193,516	¹ 12,421	1.82
Service department.....	44,719	24,474	20,245	2.96
Parts and accessories department.....	53,880	39,532	14,348	2.10
Finance reserve earned.....	4,936		4,936	.72
Total departments.....	683,690	569,114	114,576	16.75
Operating expense.....			92,068	13.46
Net profit.....			22,508	3.29
Evident in 1945 and applicable to 1946 costs:				
Increase in operating expense.....			23,855	3.49
Net loss.....			¹ 1,347	1.20

¹ Loss.

Total passenger cars manufactured..... 3,642,434
 Total trucks manufactured..... 941,627

The following figures show that increases in various operating costs amount to more than any savings which could possibly be realized through reduced used-car losses:

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 1277

New- and used-car operations for calendar year 1941 based on returns for 1,952 dealers

	Sales	Percent of new car sales	Per \$1,000 car
(1) New-car sales.....	\$399,060	100.00	\$1,000.00
(2) New-car costs.....	311,592	78.08	780.80
(3) New-car gross profit.....	87,468	21.92	219.20
(4) Used-car gross loss.....	¹ 12,421	¹ 3.11	¹ 31.10
(5) New-car expense.....	34,857	9.73	97.30
(6) Used-car expense.....	¹ 27,086	¹ 6.79	¹ 67.90
(7) Other expense.....	30,125	8.55	85.50
Total expense.....	92,068	23.07	230.70

¹ OPA contends that dealers will purchase and sell used cars on a basis that will provide a margin which will offset the used-car gross loss—

Line 4	Percent
And used-car operating expense (line 6).....	6.79
Total.....	9.90

No one knows how many used cars a dealer may handle, but it is a fact that he is bound to experience a loss in a declining price market. He certainly will not be able to recoup from his used-car gross margin sufficient money to cover the operating expense of the used-car department.

	Loss	Loss (percent)	Total loss (percent)
The total of the above item is.....			9.90
Increase in total operating expense (25.91 percent times \$92,068).....	\$23,855	5.98	
Reduction in handling charge.....	12,954	3.25	
Depreciation of used cars due to falling prices.....	13,226	3.31	
Loss on junkers.....	2,160	.54	
50 percent reduction in finance reserve earned.....	2,468	.62	
Total.....	54,663	13.70	13.70
Loss.....			3.80

PROJECTION FOR THE CALENDAR YEAR 1946 OF AN AVERAGE DEALER'S OPERATION
BASED ON ACTUAL RETURNS OF 1,952 DEALER OPERATING STATEMENTS FOR THE
YEAR 1941, REVISED TO REFLECT PRESENT-DAY CONDITIONS

Statement No. 1.—Average operating statement for the calendar year 1941 as reported by 1,952 dealers same as presented to the House Small Business Committee, November 15, 1945.

Statement No. 2.—Estimated operating statement for the calendar year 1946 based on—

- (a) 60 percent of 1941 sales at present-day prices.
- (b) Three used cars handled for every four new cars sold.
- (c) 10 percent volume increase in parts and service over 1941.
- (d) 50 percent reduction in finance reserve earned.
- (e) 25.91 percent increase in operating expenses reported in 1945 survey plus a 7 percent additional increase since VJ-day.

	Statement No. 1		Statement No. 2	
	Sales	Cost	Sales	Cost
New-car department.....	\$399,060	\$311,592	\$272,611	\$233,201
Used-car department.....	181,095	193,516	66,826	56,689
Service department.....	44,719	24,474	48,029	32,226
Parts-and-accessories department.....	53,880	39,532	66,815	49,029
Finance reserve.....	4,936		1,586	
Total.....	683,690	569,114	455,867	371,145

	Statement No. 1		Statement No. 2	
	Sales	Cost	Sales	Cost
Gross profit.....	\$114,576	-----	\$84,722	-----
Operating expense.....	92,068	-----	91,438	-----
Net profit.....	22,508	-----	¹ 6,716	-----
Percent of net profit to sales.....	3.29	-----	¹ 1.47	-----
New cars sold.....	389	-----	233	-----
Used cars sold.....	599	-----	175	-----
Net profit if historical discount and handling charge of 5 percent of (list plus freight) were retained:				
Net profit.....	\$22,508		\$6,332	
Percent net profit to sales.....	3.29		1.35	

¹ Loss.

Mr. MALLON. The situation is as if OPA had entered a city which once consisted of 40,000 business houses, ignored the fact that 10,000 stores were closed, secretly examined the returns of 300 of the more prosperous ones remaining open, passed up the 29,700 places which were hard-hit, and then reported that the entire city was in fine shape, that its future prospects were absolutely tops, and the retailers should be deprived of one-third of their possible future earnings to avoid inflation.

That the reports of only 300 dealers have been used for assessing cost-absorption cuts on our trade and for making reports to Congress, such as that our business was up 200 percent during wartimes, have been confirmed before congressional committees by Messrs. Bowles and Zenas Potter, statistical assistant to both Messrs. Bowles and Porter. When Mr. Bowles was pinned down recently by the House Banking and Currency Committee as to his reason for utilizing the reports of only 300 retail automobile concerns as a basis for such important statements, Potter volunteered that it was a NADA-approved practice. This was a very tricky statement. Prior to the war, when making cursory surveys, NADA on two occasions sampled as few as 300 dealers; but since the war developed more vastly important situations, we never have surveyed less than from 6 to 10 times this number. Where possible, NADA uses only complete national reports, such as those submitted in this statement. It believes all Government agencies should be compelled to do likewise.

It is ridiculous for anyone to contend that an industry that has been shattered as ours has been during the last 4 years could possibly be making twice the profits it did before the war. Yet that is one of the chief reasons advanced by OPA for making dealer income slashes which already total one-third of our normal peacetime profit margin. The other reason advanced for cutting our long-established trade margin is that OPA officials, with absolutely no retail automobile experience, say they are quite sure that dealers are going to make fabulous sums on used-car sales, whenever new-car production gets under way. This, of course, is just a guess and probably a bad one. Experienced used-car men fear that dealers, instead of making profits on used cars, will sustain severe losses on them. One ground for this fear is that they will have to take trade-ins at what OPA vaguely terms "reasonable" prices or be penalized.

On no better grounds than the foregoing, OPA since last fall has cut 7½ percent from automobile dealer profit margins, which for years

have been established at a gross, averaging 24 percent. The first cut, one of 3 percent, Mr. Bowles got by trimming a handling charge of 5 percent which Administrator Henderson after a national survey of dealer-handling costs had put in effect 3 years previously. The second cut of 2½ percent Mr. Bowles inflicted in November 1945, after 450 members of the House and Senate, learning of his threats of a cut of from 6 to 11 percent, had appeared at House Small Business Committee hearings and demanded a square deal for dealers. The third cut of 2 percent was put in by Administrator Porter on March 13, last, with the explanation that it was to pay the cost of wage increases won by CIO workers in their strike against automobile manufacturers.

The OPA announcement that dealers would have to pay the increased wages resulting from the automobile factory strike was one of the most unexpected occurrences in all automotive history.

No CIO or OPA officials or member of President Truman's fact-finding commission had ever even hinted what the wage increases might be saddled on an innocent bystander, the dealer. No study ever was made to determine dealer ability to pay the factory workers. Nor has any excuse ever been given, publicly or privately, by either Mr. Bowles or Mr. Porter, for the infliction on dealers of this wholly unwarranted penalty. Apparently Mr. Bowles just decided to hit the dealers again despite the fact that he had promised the House Small Business Committee 5 months earlier that henceforth he would leave the dealers alone. To this day the dealers do not know why they have been picked out to be the goats in the situation. But they were.

In the case of every one of these three cuts, the dealers' advisory committee, which is supposed, under the pricing act, to be consulted about any changes in dealer regulations, has been utterly ignored. The routine has been for OPA to call a meeting of our dealer advisory committee and, upon convening, to tell the members what new income cuts have been arranged for dealers to take. Whatever has been arranged, dealers are supposed to take it and like it.

We retail automobile dealers have never been convinced that Congress ever intended we or any other retailers should be accorded such shabby treatment, so we have protested it as vigorously as we knew how. When the situation became critical last fall, we consulted with congressional leaders of both Houses and they counseled that we continue temporarily to use every possible means to compromise our differences administratively and, if these efforts failed, to seek legislation. Our efforts along the administrative line got us nowhere.

Finally, when in November 1945, we were advised by OPA that serious cutting of our trade discount was at hand and that under it eventually we might lose more than half of our normal profit margin we arranged an open hearing before the House Small Business Committee. Both Mr. Bowles and I testified and many of the facts regarding OPA's high-handed method of dealing with us were revealed. As usual, when businessmen are so bold as to disagree with Mr. Bowles, he attacked us in the newspapers and elsewhere as lobbyists who were greedily trying to thwart his efforts to save the Nation from economic ruin. All members of the committee took him severely to task for these remarks, telling him emphatically while he was on the witness stand that they were pleased to see businessmen

come forward and express their views. Further, they sharply criticized Mr. Bowles for the manner in which he had handled our affairs and demanded that he give us a squarer deal. He was quite conciliatory and promised definitely in reply to questions by Representative Ploeser, of Missouri, that the trade discount cut he then planned, which became 2½ percent, would be our last.

When, despite Mr. Bowles' promise, cuts either put into effect directly or arranged by him before he was succeeded by Mr. Porter, had totaled 7½ percent, we carried our case to the House Banking and Currency Committee and asked for legislation. We were cordially received and many committee members, including Representative Patman, who also is chairman of the House Small Business Committee, expressed both interest and sympathy. The result was adoption by the committee, by a vote of 15 to 6, of an amendment which would be helpful to us and other small businessmen and which the House passed without discussion. It is a matter of interest that a majority of the members of the House Small Business Committee, including both Democrats and Republicans, who were familiar with our problem, were prepared to speak on behalf of the amendment if there had been any opposition to it on the House floor. There was none.

Briefly, the amendment would provide that retail establishments which for a period of 3 years following March 2, 1942, had, by Government action, been deprived of 75 percent or more of their normal supply of goods, should be given temporary protection against OPA cost absorption impositions. Until the normal sales of such restricted goods had reached their prewar averages and been maintained for a 6-month period, OPA would be prohibited from changing the established prewar trade discounts and handling charges of the affected dealers.

The amendment appears in H. R. 6042 beginning on line 17 of page 12 and continues through line 6 on page 13.

This amendment, which is designated as (q), would protect not only automobile dealers but also retailers in certain other lines which were without their principal supply of goods during the war. They include exclusive radio, refrigerator, and washing-machine retailers. This provision is designed solely for especially hard-hit small retailers and is in no way associated with subsection (r) which follows immediately in the bill and relates to wholesalers. This wholesalers' amendment was one of the numerous amendments which was offered from the floor in the closing hours of House consideration of the bill.

The retailer amendment which we automobile dealers are asking your committee to join the House committee and members in approving, would simply restore to retailers, while they are getting on their feet, the profit margin OPA has taken away from them. After losing money for 4 years, or, as in many cases, being entirely out of business, automobile dealers generally seek temporary assistance, not in the form of a subsidy or a loan, but as a 6 months' protection against OPA's experimentation with possible earnings badly needed to rehabilitate and stabilize our trade.

OPA propagandists have sought to make it appear that restoring automobile dealer trade discounts and handling charges to normal levels would rob car buyers of vast sums and increase dealer profits immensely. The impression is left that new-car buyers are bitterly

opposed to allowing the dealer his normal profit margin. That is not true.

In the first place, prospective car buyers generally deal with neighborhood dealers and are familiar with their troubles. Buyers want their friends the dealers to make fair profits, stay in business, and be able to service cars as they did before the war. The car owner also realizes that the more than \$27,000,000,000 of business which dealers lost through limited new-car and supply sales during the war remained in the pockets of their customers. This total now amounts to more than \$1,000 per present car owner. To him, this nest egg is an unspent part of his normal automobile transportation budget for the years 1942-45. He is quite willing to part with some of it to help his dealer get going after 4 years of struggle. He does not see why the dealer, who has had more than his share of normal war troubles, should be saddled with factory strike costs and other OPA-devised penalties and not even get an allowance for his vastly increased ordinary operating expenses.

Efforts of OPA to make it appear that enactment of this amendment would result in enormous new profits for dealers do not square with OPA new-car production estimates. On the one hand, OPA says 5,000,000 new-car production is near. If that is true, then the 1941 production of 3¾ million cars is even closer, and this amendment would only provide a normal profit margin freeze during the first 6 months of production at the annual rate of 3¾ million. Under OPA forecasts, this period would be past by next fall.

However, under full production, competition will pull prices down. Forecasters, who say new-car prices will be stabilized at tops for years, do not know either manufacturers or dealers, manufacturers push and dealers sell.

New competition is at hand now. The Ford Co. soon will put a car on the market to sell for less than \$1,000. Young Henry Ford is determined to recapture first place in sales from Chevrolet. General Motors has also announced the manufacture of a competing car. Likewise, Chrysler and other light-car manufacturers will be in there fighting for supremacy. The light-car market always has been the scene of bitter fighting and it will be again.

Now the fact is the actual price of a new low-priced car being produced today, even with the normal dealer trade discount and handling charges added, would be less than in 1941. That may sound strange, but it is true. I will prove it.

Every time a man or woman buys a car, the cost to him or her is just so much in hours of labor or products of his labor. To the man who works for wages, the cost is so much cash for which he has expended so many hours of work. For the grain farmer it is just so many bushels of wheat, corn, rye, or whatever he raises. For the cotton farmer it is so many pounds or bales of cotton. For the stock raiser it is so many pounds of meat.

When the discussion arose about the possible cost of cars under the retail amendment in the committee report (now par. Q, sec. 9) I decided to make an investigation of comparative rises in the costs of cars, labor, and produce since 1941.

From the Bureau of Labor Statistics I learned that in 1941 the average wage earner in the United States would have had to work 1,038 hours to earn either a Ford, Chevrolet, or Plymouth four-door

sedan. But today the same worker, due to wage increases, would have to work only 732 hours to earn enough to pay for such a car at the very highest prices which possibly could be charged under the House amendment. In other words, the worker today could earn the same car in three-fourths the time that he could have earned it in 1941.

From the Department of Agriculture I learned that in 1941 a farmer would have had to raise 1,380 bushels of corn to pay for such a car. Today he could pay for the same car with 886 bushels of corn. Whereas in 1941 a car would have cost him 929 bushels of wheat; today he could buy it for 640 bushels. For 9 bales of cotton today he could buy a car which would have cost him 11½ bales in 1941. And for 28 hogs, averaging 250 pounds each, today he could get a car that would have cost him 37 hogs in 1941.

Gentlemen, keeping prices in line with fairness to all is important, but there are other elements of vast importance in the retail automobile situation.

The first element, which OPA deliberately ignores or is unaware of, is the slow and costly process of getting our tremendous retail and service machine back into high gear. The fact that the dealers of the Nation in normal times had an investment equaling that of the automobile manufacturers, employed more than half a million men and women, and sold and serviced the cars of 30,000,000 families is something to consider. The further fact that this dealer service machine, now damaged in parts and idle in others, cannot be put back into working order overnight stands unchallenged. Dealers, and especially those who were put out of business by the Government freeze, are not finding it easy to finance their operations in the face of recurring profit curtailments by OPA and meager and constantly interrupted new-car deliveries by factories.

These facts strongly impressed the House Small Business Committee, the House Banking and Currency Committee, and the House Members who without objection approved subsection (q) of the House OPA extension bill as amended. Their emphatic approval of the amendment was for the definite purpose of affording temporary assistance to automobile dealers and others who had been deprived of 75 percent or more of their new principal stocks during the war. They took this action because they thought it was a constructive thing to do, fair to the customers, the dealers, and the country.

The future of our service is up to you. Join the House in saying that our return to normal functioning is important enough to the country to warrant Senate approval of this committee-conceived amendment, and more than 40,000 dealers soon will be making their now stagnated business plants hum with improvements. These dealers are go-getters, and being located in every town, village, and city in the country are an asset to postwar prosperity well worth encouraging. Essentially boosters and chance takers, with a little encouragement, they will gamble every cent they can garner for more employees and plant expansion. They want to put the United States back on motor wheels and see the people ride in comfort, laugh, and have a little enjoyment once more. They cannot get to their feet and lead if every time they start rising they are met with new slashes in earnings and burdened with the cost of wage increases granted employees of other parts of the industry.

They can and will set a fast reconversion pace, if the Senate will join the House in approving subsection (q) of this bill—the 6 months moratorium plan.

Mr. Chairman, there is one important point in the current automobile dealer situation which I should like to emphasize and leave with you. This is it:

There is no law, regulation, or set OPA formula to prohibit adoption of such a cost absorption moratorium as proposed by the House amendment. Let me cite two proofs of this statement:

1. On March 15, 1944, OPA, after ordering a cut in trade discounts on trucks, restored the cut and the standard trade discount stands today.

2. There never has been and is not today any cost absorption imposed on dealers in farm machinery and equipment.

Senator MITCHELL. Do I understand from your statement that the National Automobile Dealers Association has made surveys right through the war period?

Mr. MALLON. Occasionally. We made one, sir, at the time this 300-dealer survey was being made by OPA. We summarized 1,952 out of some 2,500 that we received back.

Senator MITCHELL. Was that available to OPA?

Mr. MALLON. That was; yes.

Senator MITCHELL. I wonder why it was not used in the compilation.

Mr. HOLDER. The survey was not made available to us. They made available to us only certain summary figures. We wrote Mr. Mallon about 60 days ago and asked for the details of that survey. He replied that the survey had not been completed and therefore could not be given to us. We have not received the details of it to date.

Mr. MALLON. May I explain that statement, sir? The figures were given before the House Small Business Committee on November 15, 1945. We placed upon the table of the committee 1,952 questionnaires from which the summary was compiled by the International Business Machines Co. We did not make the figures. As fast as these questionnaires were received from dealers they were turned over to the I. B. M., and they did all of the summarizing. Each individual report was made available at the time of the hearing, on November 15, and was placed on the table.

Senator CAPEHART. Did the Small Business Committee insert them in the record?

Mr. MALLON. The summary is inserted in the record; yes, sir.

Senator CAPEHART. What was the date of that?

Mr. MALLON. November 15.

Senator CAPEHART. Mr. Chairman, I suggest that we take from the Small Business Committee hearings that portion that the witness is talking about and have it inserted in this record at this point.

Senator TAYLOR. Very well.

Senator MITCHELL. Did the OPA compare the figures?

Mr. HOLDER. We got the figures and compared them, Senator Mitchell, and found substantial agreement on points we had in common. Unfortunately the survey was not directed along the lines of our distribution policy and we were unable from the summary figures

to compare final conclusions. We have asked Mr. Mallon to make available to us the details so that we could work out a comparable situation, but to date we have not received them.

Mr. MALLON. I would like to make this statement, sir. Following the hearing on November 15, Chairman Patman held a conference in his office, and another one the next morning. I think there were either four or five representatives of OPA there, and I was present representing the dealers; and at those conferences we asked representatives of OPA if they agreed with our figures or had any fault to find with them, and we were informed that they could not see anything wrong with them. So we naturally assumed that the figures were satisfactory.

Senator TAYLOR. Proceed.

Senator CAPEHART. OPA did not ask for the 1,592 that day?

Mr. MALLON. Not to my knowledge.

Senator CAPEHART. If they had asked you, would you have given them to the OPA?

Mr. MALLON. Yes. What we did—to keep the record straight on that—we too thought we had better not publicise the names, so we took a knife and cut the names off and numbered them 1 and 2, and so forth, and we had a key and submitted the key with all the names on it to the committee.

Senator CAPEHART. There is nothing wrong with that and nothing wrong with the OPA system of not divulging names.

Mr. MALLON. May I proceed, sir?

Senator TAYLOR. Please.

Mr. MALLON. On no better grounds than the foregoing, OPA since last fall has cut 7½ percent from automobile-dealer profit margins, which for years have been established at a gross averaging 24 percent. The first cut, one of 3 percent, Mr. Bowles got by trimming a handling charge of 5 percent which Administrator Henderson, after a national survey of dealer handling costs, had put in effect 3 years previously. The second cut of 2½ percent Mr. Bowles inflicted in November 1945, after 450 Members of the House and Senate, learning of his threats of a cut of from 6 percent to 11 percent, had appeared at House Small Business Committee hearings and demanded a square deal for dealers. The third cut of 2 percent was put in by Administrator Porter on March 13, last, with the explanation that it was to pay the cost of wage increases won by CIO workers in their strike against automobile manufacturers.

The OPA announcement that dealers would have to pay the increased wages resulting from the automobile factory strike was one of the most unexpected occurrences in all automobile history.

No CIO or OPA officials or member of President Truman's fact-finding commission had ever even hinted that the wage increases might be saddled on an innocent bystander, the dealer. No study ever was made to determine dealer ability to pay the factory workers. Nor has any excuse ever been given, publicly or privately, by either Mr. Bowles or Mr. Porter, for the infliction on dealers of this wholly unwarranted penalty. Apparently Mr. Bowles just decided to hit the dealers again despite the fact that he had promised the House Small Business Committee 5 months earlier that henceforth he would leave the dealers alone. To this day the dealers do not know why they have been picked out to be the goats in the situation. But they were.

In the case of every one of these three cuts, the dealers' advisory committee, which is supposed, under the Pricing Act, to be consulted about any changes in dealer regulations, has been utterly ignored. The routine has been for OPA to call a meeting of our dealer advisory committee and, upon convening, to tell the members what new income cuts have been arranged for dealers to take. Whatever has been arranged, dealers are supposed to take it and like it.

We retail automobile dealers have never been convinced that Congress ever intended that we or any other retailers should be accorded such shabby treatment, so we have protested it as vigorously as we knew how. When the situation became critical last fall we consulted with congressional leaders of both houses and they counseled that we continue temporarily to use every possible means to compromise our differences administratively and, if these efforts failed, to seek legislation. Our efforts along the administrative line got us nowhere.

Finally, when in November 1945 we were advised by OPA that serious cutting of our trade discount was at hand and that under it eventually we might lose more than half of our normal profit margin, we arranged an open hearing before the House Small Business Committee. Both Mr. Bowles and I testified, and many of the facts regarding OPA's high-handed method of dealing with us were revealed. As usual, when businessmen are so bold as to disagree with Mr. Bowles, he attacked us in the newspapers and elsewhere as "lobbyists" who were greedily trying to thwart his efforts to save the Nation from economic ruin. All members of the committee took him severely to task for these remarks, telling him emphatically while he was on the witness stand that they were pleased to see businessmen come forward and express their views. Further, they sharply criticized Mr. Bowles for the manner in which he had handled our affairs and demanded that he give us a squarer deal. He was quite conciliatory and promised definitely in reply to questions by Representative Ploeser, of Missouri, that the trade discount cut he then planned, which became 2½ percent, would be our last.

When, despite Mr. Bowles' promise, cuts either put into effect directly or arranged by him before he was succeeded by Mr. Porter, had totaled 7½ percent, we carried our case to the House Banking and Currency Committee and asked for legislation. We were cordially received and many committee members, including Representative Patman, who also is chairman of the House Small Business Committee, expressed both interest and sympathy. The result was adoption by the committee, by a vote of 15 to 6, of an amendment which would be helpful to us and other small businessmen and which the House passed without discussion. It is a matter of interest that a majority of the members of the House Small Business Committee, including both Democrats and Republicans, who were familiar with our problem, were prepared to speak on behalf of the amendment if there had been any opposition to it on the House floor. There was none.

Briefly, the amendment would provide that retail establishments which for a period of 3 years following March 2, 1942, had, by Government action, been deprived of 75 percent or more of their normal supply of goods, should be given temporary protection against OPA cost-absorption impositions. Until the normal sales of such restricted goods had reached their prewar averages and been maintained for a 6-month period, OPA would be prohibited from changing the estab-

lished prewar trade discounts and handling charges of the affected dealers.

The amendment appears in H. R. 6042 beginning on line 17 of page 12 and continuing through line 6 on page 13.

This amendment, which is designated at (q), would protect not only automobile dealers but also retailers in certain other lines which were without their principal supply of goods during the war. They include exclusive radio, refrigerator, and washing-machine retailers. This provision is designed solely for especially hard-hit small retailers, and is in no way associated with subsection (r) which follows immediately in the bill and relates to wholesalers. This wholesalers amendment was one of the numerous amendments which was offered from the floor in the closing hours of House consideration of the bill.

The retailer amendment which we automobile dealers are asking your committee to join the House Committee and Members in approving, would simply restore to retailers, while they are getting on their feet, the profit margin which OPA has taken away from them. After losing money for 4 years, or, as in many cases, being entirely out of business, automobile dealers generally seek temporary assistance, not in the form of a subsidy or a loan, but as a 6-months' protection against OPA's experimentation with possible earnings badly needed to rehabilitate and stabilize our trade.

OPA propagandists have sought to make it appear that restoring automobile-dealer trade discounts and handling charges to normal levels would rob car buyers of vast sums and increase dealer profits immensely. The impression is left that new-car buyers are bitterly opposed to allowing the dealer his normal profit margin. That is not true.

In the first place, prospective car buyers generally deal with neighborhood dealers and are familiar with their troubles. Buyers want their friends the dealers to make fair profits, stay in business, and be able to service cars as they did before the war. The car owner also realizes that the more than \$27,000,000,000 of business which dealers lost through limited new-car and supply sales during the war remained in the pockets of their customers. This total now amounts to more than \$1,000 per present car owner. To him this nest egg is an unspent part of his normal automobile transportation budget for the years 1942-45. He is quite willing to part with some of it to help his dealer get going after 4 years of struggle. He does not see why the dealer, who has had more than his share of normal war troubles, should be saddled with factory strike costs and other OPA-devised penalties and not even get an allowance for his vastly increased ordinary operating expenses.

Senator TAYLOR. Have you made any survey of your customers to see how they feel about this?

Mr. MALLON. Yes, sir. We have a pretty general report. If you ask if we made a survey, we have not sent out a questionnaire, but we have made inquiries quite broadly. The answer to that, Senator, I think would be that the majority of dealers today are now called upon to explain to the majority of purchasers why the dealers should not accept an extra \$500 in order to give them a car. So the answer would be that they are perfectly willing to spend the money.

Senator MILLIKIN. And of course if they could get a car for \$500 less, they would like to get it that way?

Mr. MALLON. They are offering bonuses in that amount, Senator. That is what I mean.

Senator MILLIKIN. We have a strange conflict all the way down the line, here. The man who goes out and gets an 18½ percent increase in his wages very often has a wife who is a member of a consumer group who does not want to pay the increased costs.

Mr. MALLON. We have found that, sir.

Efforts of OPA to make it appear that enactment of this amendment would result in enormous new profits for dealers do not square with OPA new car production estimates. On the one hand OPA says 5,000,000 new car production is near. If that is true, then the 1941 production of 3¼ million cars is even closer, and this amendment would only provide a normal profit margin freeze during the first 6 months of production at the annual rate of 3¼ millions. Under OPA forecasts, this period would be past by next fall.

However, under full production, competition will pull prices down. Forecasters who say new-car prices will be stabilized at tops for years, do not know either manufacturers or dealers, that manufacturers push production and dealers have to sell.

New competition is at hand now. The Ford Co. soon will put a car on the market to sell for less than \$1,000. Young Henry Ford is determined to recapture first place in sales from Chevrolet. General Motors has also announced the manufacture of a competing car.

Senator MILLIKIN. When do you think those cars are coming on the market in sizable supply?

Mr. MALLON. The statement made by Ford, sir, is that it will be in 1947. There is no definite date set by General Motors that I have seen.

Likewise, Chrysler and other light-car manufacturers will be in there fighting for supremacy. The light-car market always has been the scene of bitter fighting, and it will be again.

Now the fact is that the actual price of a new low-priced car being produced today, even with the normal dealer trade discount and handling charges added, would be less than in 1941. That may sound strange, but it is true.

Every time a man or woman buys a car, the cost to him or her is just so much in hours of labor or products of his or her labor. To the man who works for wages, the cost is so much cash for which he has expended so many hours of work. For the grain farmer, it is just so many bushels of wheat, corn, rye, or whatever he raises. For the cotton farmer, it is so many pounds or bales of cotton. For the stock raiser, it is so many pounds of meat.

When the discussion arose about the possible cost of cars under the retail amendment in the committee report—now paragraph Q, section 9—I decided to make an investigation of comparative rises in the costs of cars, labor, and produce since 1941.

From the Bureau of Labor Statistics I learned that in 1941 the average wage earner in the United States would have had to work 1,038 hours to earn either a Ford, Chevrolet, or Plymouth 4-door sedan. But today the same worker, due to wage increases, would have to work only 732 hours to earn enough to pay for such a car at the very highest prices which possibly could be charged under the House amendment. In other words, the worker today could earn the same car in three-fourths the time that he could have earned it in 1941.

From the Department of Agriculture I learned that in 1941 a farmer would have had to raise 1,380 bushels of corn to pay for such a car. Today he could pay for the same car with 886 bushels of corn. Whereas in 1941 a car would have cost him 929 bushels of wheat, today he could buy it for 640 bushels. For 9 bales of cotton today he could buy a car which would have cost him 11½ bales in 1941. And for 28 hogs, averaging 250 pounds each, today he could get a car that would have cost him 37 hogs in 1941.

Senator TAFT. But he would have to pay more for the hogs and for the corn.

Mr. MALLON. Possibly. There is not much difference. It is up a little.

Senator TAFT. The wage comparison is all right, but not the other comparisons.

Mr. MALLON. The other figures come out that way, too, Senator.

Gentlemen, keeping prices in line with fairness to all is important, but there are other elements of vast importance in the retail automobile situation.

The first element, which OPA deliberately ignores or is unaware of, is the slow and costly process of getting our tremendous retail and service machine back into high gear. The fact that the dealers of the Nation in normal times had an investment equaling that of the automobile manufacturers, employed more than half a million men and women and sold and serviced the cars of 30,000,000 families is something to consider. The further fact that this dealer service machine, now damaged in parts and idle in others, cannot be put back into working order overnight stands unchallenged. Dealers, and especially those who were put out of business by the Government freeze, are not finding it easy to finance their operations in the face of recurring profit curtailments by OPA and meager and constantly interrupted new-car deliveries by factories.

These facts strongly impressed the House Small Business Committee, the House Banking and Currency Committee, and the House Members who without objection approved subsection (q) of the House OPA extension bill as amended. Their emphatic approval of the amendment was for the definite purpose of affording temporary assistance to automobile dealers and others who had been deprived of 75 percent or more of their new principal stocks during the war. They took this action because they thought it was a constructive thing to do, fair to the customers, the dealers, and the country.

The future of our service is up to you. Join the House in saying that our return to normal functioning is important enough to the country to warrant Senate approval of this committee-conceived amendment, and more than 40,000 dealers soon will be making their now stagnated business plants hum with improvements. These dealers are go-getters and, being located in every town, village, and city in the country, are an asset to postwar prosperity well worth encouraging. Essentially boosters and chance takers, with a little encouragement, they will gamble every cent they can garner for more employees and plant expansion. They want to put the United States back on motor wheels and see the people ride in comfort, laugh, and have a little enjoyment once more. They cannot get to their feet and lead if every time they start rising they are met with new slashes in earnings and burdened with the cost of wage increases granted employees of other parts of the industry.

They can and will set a fast reconversion pace, if the Senate will join the House in approving subsection (q) of this bill—the 6 months' moratorium plan.

Mr. Chairman, there is one important point in the current automobile-dealer situation which I should like to emphasize and leave with you. This is it: There is no law, regulation, or set OPA formula to prohibit adoption of such a cost-absorption moratorium as proposed by the House amendment.

Senator MILLIKIN. Would you mind repeating that, please, that last statement?

Mr. MALLON. That there is no law, sir?

Senator MILLIKIN. Yes.

Mr. MALLON. There is no law, regulation, or set OPA formula to prohibit adoption of such a cost-absorption moratorium as proposed by the House amendment. Let me cite two proofs of this statement:

1. On March 15, 1944, OPA, after ordering a cut in trade discounts on trucks, restored the cut and the standard trade discount stands today.

2. There never has been and is not today any cost absorption imposed on dealers in farm machinery and equipment.

Senator TAFT. Mr. Mallon, going back to page 6.

Mr. MALLON. Yes, sir.

Senator TAFT. You say a survey of more than 2,000 dealers made last year showed a general increase during the war of 25.91 percent. Is that survey available?

Mr. MALLON. Yes, sir. That was presented before the House Small Business Committee, and we have it available.

Senator CAPEHART. We went into that quite carefully, and we are going to take it into the record.

Mr. MALLON. The chairman ordered it in the record.

Senator TAFT. Where?

Mr. MALLON. In this record.

Senator TAFT. This record?

Mr. MALLON. Yes, sir.

Senator TAFT. And it is Mr. Bowles' claim that for some reason that is balanced by used cars.

Mr. MALLON. Well, the fallacy, the difference, the big difference, Senator, between OPA and ourselves is that Mr. Bowles—OPA, I will say, predicate there the fairness of this 7½-percent reduction in our normal margin by virtue of the fact that they claim that during from here out the new cars in 1946 and 1947 will be in great demand, it will be no effort to sell them, and people will just come in and take them away from us, and that they will be turned out, in his testimony he first said, at the rate of 4,000,000 a year by March 1, 1946, which is just past; and then he said it would possibly go to 5,000,000.

Now, the fact is that at the present time, on the authority of those in the manufacturing business and the steel business, who should know, if they can produce 60 percent of what they produced in 1941, which would be around two million and a half—a little better—that is the most they can see, if there are no further interferences, if they can get the supplies, the parts.

Senator TAFT. Are they running between four and five hundred thousand a month now?

Mr. MALLON. The last month, of April, Senator—I will give you that, sir, right away. I got the latest figure from the CPA.

Where is that, Charlie?

A VOICE. Eighty-nine thousand for the first 20 days of March.

Mr. MALLON. Right here, sir.

A VOICE. Eighty-nine thousand.

Mr. MALLON. There are 89,900 passenger cars produced between April 1 and 20. They estimate if there is no further interference that the production might run to 132,000 in April. That would be at the rate of one million and a half a year. Now, the cold-rolled-steel manufacturers state that they have not the physical facilities to turn out cold-rolled steel in quantities that would permit of manufacturing more than two and a half million cars a year.

Senator TAFT. Would it not follow that if they did have the production then the profits from used cars would decrease, would they not? I mean nobody will want used cars, as a practical matter.

Mr. MALLON. If the production in new cars could arrive at any figure of four or five million a year, there would be a very rapidly falling market on used cars; yes, sir. Now, the used cars today, practically none of them is less than 8 years old, and the value is not there, future value; so naturally as soon as any of them can be replaced with better merchandise the bottom is going to fall out of the used-car market. However, even with the two million and a half, three million new-car production we dealers have the responsibility of putting as many used cars back on the road in serviceable and safe condition as possible, because the two or three million, Senator, is not going to begin to meet the demand.

Senator TAFT. Of course, if cars are only increased 10 percent, then your margin would increase 10 percent, and all you have to prove is an increase of cost of 10 percent to justify having that percentage, as I see it.

Mr. MALLON. Marginal increase 10 percent?

Senator TAFT. Well, your total money, I mean. The money you will get from 24-percent margin on the new cars will be 10 percent more than the money you got from the 24-percent margin on the old cars.

Mr. MALLON. We get 24 percent of the 10 percent, Senator.

Senator TAFT. What?

Mr. MALLON. We only get 24 percent of that 10-percent increase.

Senator TAFT. Well, no; but I am suggesting that your increase in receipts is 10 percent, from the same or similar car, and that if you can justify a 10-percent increase in cost my general theory is you ought to get the same percentage.

Mr. MALLON. Oh, I thought you meant our gross margin. You mean the gross receipts.

Senator TAFT. I cannot conceive of any business that will not have a 10-percent increase in cost; I do not know.

Senator MITCHELL. But the figures have not been presented in this hearing as yet, have they?

Mr. MALLON. I beg your pardon.

Senator MITCHELL. You would not say that you have presented the figures justifying that in this hearing, would you?

Mr. MALLON. 25.91 was presented at the House Small Business Committee, and Mr. Bowles justified that.

Senator MITCHELL. But that was the last year. That is not the future.

Mr. MALLON. Well, they are going to go up, Senator, from here out.
 Senator MITCHELL. We have no figures on that, do we?

Mr. MALLON. Well, we can make them up just like OPA does, if you want estimates, but we don't like to do that too much; we want facts.

Senator MITCHELL. Well, why can you not give us factual information?

Mr. MALLON. Well, we can give facts as we do try to give you facts, Senator. The fact is, that I am telling you now, that according to those who are supposed to know there cannot be more than two and a half million cars made this year.

Senator MITCHELL. Yes; but you have——

Mr. MALLON. There are only two and a half million.

Senator MITCHELL. You have the whole industrial picture to work out of that.

Mr. MALLON. Well, if there are two and a half million cars, sir, and there are 35,000 dealers, you are not going to have very many cars.

Senator MITCHELL. I know, but you said yourself that the used-car market is going to fall off very precipitately as soon as they bring the new cars into the market.

Mr. MALLON. No; I said the market is going to start to fall, but the heavy production of new cars will move faster in the fall. But you want to remember this, Senator: that under the present regulations we dealers are obligated to allow you—when you come to me with a used car, I am obligated to give you the as-is price or the going market value.

Senator MITCHELL. Well, why can you not give the committee the figures on that? And then we can ask OPA to comment on those figures so we can project the meaning of this legislation.

Mr. MALLON. Well, we can project—we can build up figures of our estimate for the 6 months that would be involved in the moratorium. That we can get. I wired the factory on the 18th, the 19th. I was supposed to be here on the 23d originally, and that is why I wired, and there was not one factory that could give us an estimate of the number of cars that they would turn out in 1946. I have all those telegrams here if you would like to see them, sir.

Senator MILLIKIN. Mr. Chairman.

Senator TAFT. In normal times you got them on a 5,000,000-car, 4,000,000-car basis, did you not?

Mr. MALLON. 4,000,000-car; yes, sir.

Senator TAFT. And it does not seem to me that it is OPA's function to change the relationship in different industries. I do not think they can go back now and say, "Well, you got too much in those days; the dealer got too big a cut. Therefore we are going to change the whole business." I agree fully with that.

Mr. MALLON. You have expressed it much better than I did.

Senator TAFT. My theory is that we ought to see that whatever increase in cost occurs, the fellows get it on a prewar basis. We are not engaged in trying to change the margin basis in various industries.

Mr. MALLON. That is all we are asking for, Senator.

Senator MILLIKIN. Mr. Chairman, I would like to ask the OPA gentleman: What is your theory for not allowing the traditional trade mark-ups?

Mr. HOLDER. I am very glad to answer that, Senator. We feel that we are allowing more of a margin than dealers normally received. We feel that way for this reason: that while, as Mr. Mallon states, the customary discount to the automobile dealer has been 24 percent of a list price, the evidence indicates that the dealer has customarily given away to his customer just about half of that gross margin in the form of overallowances, in the form of losses on his used-car business. Those losses are not in the picture today. I think——

Senator TAFT. Neither are the new cars. My suggestion is that if you do get the new cars then you will not have the profits on the old cars.

Mr. HOLDER. That will be true over a period of time; yes, sir.

Senator TAFT. And if you do not get the new cars, you do not get profits on the new cars, so one way or the other I should think it would balance up.

Mr. HOLDER. Might I give you just two figures on that, Senator, to illustrate my point?

In October of 1941, using an average of the Ford, Plymouth, and Chevrolet as the low-priced cars, the average dealer had, after his used-car loss, a dollar gross margin of about \$127. Under the present price regulation, including the effect of the absorption, he has a dollar gross margin of nearly \$196. That is an increase of \$68; roughly, 50 percent.

Under the proposed amendment, however, which would carry him back to a 24-percent discount which he never kept himself, the dollar margin which he would have on the low-priced car, on the average, would be \$281, or more than double the dollar margin that he actually had left after his used-car business before the war.

Senator TAFT. He would only have less than half as many cars in percentage, I take it.

Mr. HOLDER. That is in the picture temporarily.

Senator CAPEHART. How do you arrive at this \$196?

Mr. HOLDER. I beg your pardon.

Senator CAPEHART. You get a 24-percent discount on a thousand-dollar car. That is \$240.

Mr. HOLDER. That is right, sir.

Senator CAPEHART. Now, where does this \$196 come in?

Mr. HOLDER. The \$196 represents the difference between the two, roughly speaking, represents the effect of the 4½ percentage points reduction in dealer discounts which we put in.

Senator CAPEHART. So you will give him \$196 now?

Mr. HOLDER. That is right, sir. I might——

Senator CAPEHART. You maintain that these dealers gave a portion of their discount away?

Mr. HOLDER. About half of it, Senator Capehart.

Senator CAPEHART. About half of it. And they gave it to the consumer?

Mr. HOLDER. That is right, sir.

Senator CAPEHART. Well, I thought you gentlemen were interested in protecting the consumer.

Mr. HOLDER. We are.

Senator CAPEHART. Now, if they gave half of it away, why don't you permit them to give half of it away? Half of \$240 is \$120, and on 5,000,000 automobiles, that is how much money? That is a tremendous amount of money that you are denying the consumer.

Senator MITCHELL. Shall we put that amendment in the bill?

Senator CAPEHART. No; I am using his own figure.

I mean, on one hand you are there to protect the consumer. Now you say that these dealers do not know how to run their business, that they have been giving half their profits away. Now, if they have been giving it away, they have been giving it to the consumer. Now, let us let them continue to do it.

Mr. HOLDER. Senator, if it worked out that way, if we were satisfied that dealers would continue under today's conditions to overallow on used cars, I think your proposition would stand correct. But if we assume, on the other hand, that in today's market dealers will not allow for a car—

Senator CAPEHART. In other words, you think they gave half of it away in the past but they won't do it from now on?

Mr. HOLDER. Not for some time to come, sir.

Senator CAPEHART. Why don't you breakfast with every one of them every morning and run their stores and wives and tell them what to do and when to do it?

Senator MILLIKIN. Is that a reasonably complete statement of OPA's position that you have just made?

Mr. HOLDER. I believe so, Senator.

Senator MILLIKIN. Mr. Mallon, what do you have to say about that?

Mr. MALLON. Senator, we always recognized OPA was established for a certain purpose during the war. We did not know it was established to reform the customs and habits of the business. We dealers feel that over the period of years we have been a great asset to the country. We have made it possible for thousands and hundreds of thousands to enjoy the privilege of having a car. We have traded, lots of times long. The competition brings that about, Senator. That is what I mentioned there; competition always brings that about.

For OPA to say that they are going to reform the dealers now is just a myth, because I have been in this business 32 years, and the representative dealers in this business have been trying for 32 years to find out how they could prevent used-car losses and overallowances. The factories have tried it, and there is nobody who has ever found the answer, and I am absolutely certain OPA cannot find the answer. The minute the dealers have new cars in any numbers at all, trading will take place.

Secondly, I would like to point this out. Mr. Bowles testified that the dealers would be free, white, and independent and buy cars for any value they wanted to put on them. That is not so. According to the regulations we are prohibited from buying cars at what we might consider a reasonable value. We have to allow what the as is or the going market value is of that date we make the deal. The car goes into our shop. It may take 60 days before we can recondition it and have it ready for resale. In the 60-day period that market is going down, and we have no way of recovering the loss that is going to take place just from the drop in the market. So we contend that OPA's theory that there are going to be no used car losses just does not make sense in our business; it is not possible.

Further than that, they also state that we are not going to lose so much money on used cars, and what we save on that will pay for our cost of using the cars—used-car department. They figured out

that we are going to handle a great many less used cars, so therefore we cannot lose the money we did before, and it is not going to cost us as much to run the department.

We have an established place of business, and the second floor of our business is for a used-car department. There it is. We cannot take that and throw it out. That is our overhead. That is still there, and we have to pay for it some way. So that this theory that they predicate this whole cost absorption in our industry on is fundamentally unsound from the experience of this business of over 30 years.

Senator MILLIKIN. Why do you gentlemen run counter to the practice and the opinion of an industry of this kind?

To put it another way, you have said that you are trying to change the customs of their business. Under what theory do you try to change the customs of their business?

Mr. HOLDER. Well, Senator, I would answer that in this way: we feel that we are required by court decision and by Executive order to keep factory increases from reaching the consumer level if we possibly can. That means, then, that your decision—

Senator MILLIKIN. Well, let me—I don't want to interrupt you.

Mr. HOLDER. Yes, sir.

Senator MILLIKIN. But what is the basic authority for that theory?

Mr. HOLDER. The basic authority on the court side, sir, is a decision in the case of *Bowles v. The Philadelphia Coke Co.* The Executive order I think is 9599, which requires us to do the same thing.

We think also, Senator, that it is only fair that manufacturers who are required to absorb cost increases, insofar as they can, that distributors should not be given exemption from that policy but should be accorded the same even-handed action.

Senator MILLIKIN. Does it often happen that the distributor is compelled to absorb the increased cost of some prior level of the business?

Mr. HOLDER. I am sorry, but did you say it does not?

Senator MILLIKIN. I say, does it not often happen that the distributor, by that system, is compelled to absorb the increase in cost of some prior level of that industry?

Mr. HOLDER. It does, Senator, but only if the facts indicate that he can do so.

Senator MILLIKIN. Well, under what theory is that justified?

Mr. HOLDER. I think for this reason, Senator: Certainly it is pretty—

Senator MILLIKIN. Considering also that the distributor has no responsibility and no discretion in regulating the cost of that earlier level of the same industry.

Mr. HOLDER. Frequently manufacturers would say the same thing, of course. It seems to us in administering the stabilization program pretty important to keep cost increases from bumping prices all the way along the line, because in the process they become pyramided: The increase at the end is generally greater than the increase at the beginning.

It seems to us also that during this wartime emergency if one segment of the industry—distributors, for example, or manufacturers—can absorb cost increases of any type without hardship, that it is only fair then to ask him to do so in the interests of the whole stabilization program.

Senator MILLIKIN. But doesn't it come down to this: That you keep complete elasticity to yourselves in increasing costs in the first steps of an industry, on the theory that you will take that out of the hide of somebody later along the line?

Mr. HOLDER. No, sir. The increases at the manufacturing level are made only after pretty careful examination of the picture there and only where we find that the manufacturing industry cannot absorb its own cost increases without bringing its earnings below peacetime levels. Only after that do we raise the price at the manufacturing level; and only then, of course, do we have the question what to do about the distributor's price.

Senator MILLIKIN. And at that point, when you have gone through that and have determined that the manufacturer has increased cost, which must precede—at that point you decide that the distributor must absorb this cost?

Mr. HOLDER. No, sir. You look at the distributor's position.

Senator MILLIKIN. Isn't that what it comes to?

Mr. HOLDER. You look at the distributor's position to see if he can absorb. If he cannot absorb, the manufacturer's increase would be passed on through to the consumer.

Senator MILLIKIN. Well, then, that becomes a relative problem: instead of cutting his throat with one fell swoop, you make a light gash today and another gash tomorrow, and ultimately, unless he is a very tough guy, he is going to bleed to death; isn't that it?

Mr. HOLDER. I would say rather it becomes a question of fact. It is the only way to make such a decision.

Senator MILLIKIN. But it is a part of your established policy, in degree at least, to take the increased costs of one segment of an industry and make another segment of the industry bear those costs?

Mr. HOLDER. If the second segment can do it without impairing its earning capacity—

Senator MILLIKIN. That is right.

Mr. HOLDER. As measured by peacetime standards; yes, sir.

Senator MILLIKIN. And that, of course, has no normal place in our economy, has it?

Mr. HOLDER. I think it happens very frequently in our economy in normal times, Senator. It would be a rare situation, I think, where a manufacturer's price were increased or decreased every time that some one of his costs changed. Frequently prices move on the finished product with much greater degree of slowness than costs of making that product vary.

Senator MILLIKIN. Yes, but there is no rule except competition that will cause the distributor to absorb. He raises, and then the question is whether the market will absorb his product. If it doesn't, he lowers. And when you lower, the other fellow has to lower if he wants to sell his stuff; isn't that it?

Mr. MALLON. Yes, sir.

Senator MILLIKIN. In normal times?

Mr. MALLON. That is it.

Senator MITCHELL. Isn't that the whole point here, that you do not have competition to accomplish that at the present time? The decision there, the working of that, is based, isn't it, on the Emergency Court of Appeals decision of March 1943?

Mr. HOLDER. I think that is right, sir.

Senator MITCHELL. And that says:

When such increases in producer prices are permitted it is the duty of the Administrator so far as possible to require them to be absorbed at some appropriate intermediate stage in the process of production or distribution at which there may be an existing margin of profit reasonably sufficient to absorb them.

Now, is that binding on the OPA?

Mr. HOLDER. I think it is, sir. And I might say also that our standards of cost absorption, both at the manufacturing and at the distributor level, have been fully explained to both the House and Senate Banking Committees in the past several years.

Senator MILLIKIN. Well, there are a good many of us not satisfied with that explanation.

Senator CAPEHART. Mr. Chairman, this court decision was not on a law passed by Congress, but rather on the Executive order issued by the President, and of course he could have been wrong in the Executive order. The court could be right in its interpretation.

Mr. HOLDER. The chicken came before—

Senator CAPEHART. And they may be right in their contention, and the Executive order could have been wrong in principle and in practice.

Mr. HOLDER. The chicken came before the egg in that case, Senator. The court's decision preceded by about 2 years the President's order.

Senator CAPEHART. What is the court's decision based upon? It had to be based upon some law or Executive order, and there was certainly nothing in OPA law, was there? The court's decision had to be based on some law or some Executive order, and you say that the egg came before the chicken in what respect?

Mr. HOLDER. Senator, the court's decision, I presume, was based on their reading of Congress' intent in passing the Emergency Price Control Act.

Senator MILLIKIN. The court did not pass on policy; the court passed on whether something was lawful.

Mr. HOLDER. That is right.

Senator MILLIKIN. At least as far as I am concerned I have been talking about the question of policy. I am just wondering whether it is sound policy to do these things.

Mr. HOLDER. It has seemed to us to be so, Senator, as a means of keeping retail prices at as stable levels as we can, without causing hardship.

Senator TAYLOR. Any other questions of the witness?

Mr. MALLON. Might I make one statement, sir?

Senator TAYLOR. Yes.

Mr. MALLON. I would like to make this statement: That the theory that Mr. Holder has just expanded upon and the decision arrived at by applying that theory was based on a new-car production of 4,000,000 cars in a year, which we know we cannot get. It was based on the proposition that there would be no used car loss. We thoroughly differ with that—completely differ with that contention, and we also claim that the small number of 300 reports of selected dealers, by OPA district offices, is not a proper sampling of the trade upon which to base such a vital decision.

Thank you, sir.

Senator TAYLOR. Now I believe Mrs. Relis wishes to be heard.

**STATEMENT OF MRS. MATTHEW J. RELIS, CONGRESS OF
WOMEN'S AUXILIARIES, UNITED PUBLIC WORKERS, CIO**

Mrs. RELIS. Mr. Chairman and members of the committee, I am Mrs. Matthew J. Relis, of the CIO Women's Auxiliary, and also represent various consumers' organizations. I and my baby as well as other women and children have been here today in delegations to see our various Senators; and as housewives who are the largest consumer group in the United States we wish to urge extension of the OPA without any crippling amendments, and to submit herewith our point of view for inclusion in the Congressional Record.

Senator TAYLOR. The statement may be made a part of the record. (The statement referred to is as follows:)

CONGRESS OF WOMEN'S AUXILIARIES,
UNITED PUBLIC WORKERS, CIO,
Washington, D. C., May 2, 1946.

TO HON. ROBERT WAGNER,
*Chairman, Senate Banking and Currency Committee,
Washington, D. C.*

STATEMENT ON THE EXTENSION OF PRICE CONTROL

The representatives of the Women's Auxiliary of the United Public Workers, CIO, comprising 10,000 Federal workers and their families, employed in the District of Columbia and having legal residences in the States, submit for inclusion in the Congressional Record, the following statement, having today visited their respective Senators urging support for the extension of the Price Control Act.

The Price Control Act must be continued and extended. Run-away inflation must be avoided. Prices have been going up for a long time, but without price control the Nation would face a worse catastrophe than occurred after World War I. We know that after World War I, with no proper controls, such items as sugar went up to 28½ cents a pound, ceiling now is 7 cents a pound; eggs soared to 92 cents a dozen, ceiling now 50 cents. Children's clothing as well as adults' wearing apparel would be prohibitively priced if the Price Control Act is not continued and extended. The end result of this inflation would be a far worse depression than the country has ever experienced. The economy of the entire country would be shattered, hurting farmers, laborers, and businessmen alike, all of whom are consumers.

Workers have in many instances won increased wages, but if such inflation occurs this hard-earned gain will be more than wiped out.

The majority of the American people want price control. We urge that the Congress of the United States respond to the will of the people and save the country from disaster.

Respectfully submitted.

Mrs. FRANCES JACOBSEN,
Chairman, Women's Auxiliaries, UPWA, CIO.

Senator CAPEHART. Ten o'clock tomorrow?

Senator TAYLOR. The committee will recess until 10 o'clock tomorrow morning, at which time we shall take up with the other witnesses we have not been able to hear today.

(Whereupon, at 5:30 p. m., an adjournment was taken until tomorrow, Friday, May 3, 1946, at 10 a. m.)

(The following was later submitted for the record:)

GROCERY MANUFACTURERS OF AMERICA, INC.,
New York 17, N. Y., May 1, 1946.

HON. ROBERT F. WAGNER,
*Chairman, Banking and Currency Committee, United States Senate,
Washington, D. C.*

DEAR SENATOR WAGNER: Thank you for your letter of April 29, inviting this association to present its written plea for amendment of the Emergency Price Control Act, as it relates to absorption of freight-rate increases by industry.

Your attention is directed to petition before the ICC by the railroads for authority to increase freight rates and charges by 25 percent, with some exceptions.

At the outset, let me say that this association feels the railroads are entitled to any general freight-rate increase which they can justify as related to the general wage increase authorized effective January 1 by two railway labor boards.

We also feel that industry generally should be permitted the right of automatic price increases where general wage increases of the industry have imposed an undue burden upon the product.

Our present concern is the possibility of having to absorb not only our own increases in labor, raw material, and other costs but those imposed upon the railroads in the event the ICC authorizes a general freight-rate increase to give relief to that particular industry, in which case our members would carry a double burden.

I should like to direct attention of the Senate Banking and Currency Committee to the Emergency Price Control Act of 1942, of which section 1499.2 (2) (ii) (b) of GMPR provides, among other things, as follows:

"No seller shall require any purchaser, and no purchaser shall be permitted, to pay a larger proportion of transportation costs incurred in the delivery or supply of any commodity or service than the seller required purchasers of the same class to pay during March 1942 on deliveries or supplies of the same or similar types of commodities or services."

In the case of certain commodities, GMPR has been superseded by later regulations; but, to the best of our knowledge, it is generally true in the grocery field that this same rule still applies. The effect of it would be to force a manufacturer who has been selling on a delivered price basis to absorb any increased freight unless he could get specific relief by an appeal to OPA.

In the distribution field, there are other regulations which would operate in the same way, namely, section 4, MPR 421, pertaining to wholesale prices; and sections 4, 5, and 6 of MPR 422-3, pertaining to retail prices.

The general principle of these regulations is that once a ceiling price has been fixed it cannot be increased by reason of increased labor costs, increased freight costs, or increases in other costs without specific approval from OPA. The net of the foregoing is that any increase in freight rates cannot be passed along unless either Congress or OPA permits corresponding increases in the price ceilings at manufacturer, wholesaler, and retail levels.

We, therefore, urge your committee to give a mandate to the Office of Price Administration and/or Office of Economic Stabilization through an amendment to the Emergency Price Control Act of 1942, to the effect that where a general freight-rate increase is approved by the Interstate Commerce Commission it may be concurrently reflected in the selling price of the manufacturer to a wholesaler or retailer and that such wholesaler or retailer may in turn reflect such increased prices at that level.

Without such a mandate from Congress, OPA is likely to continue its demands that industry justify the need for price increases because of a general freight-rate increase, product by product, as they have in the past, and there is a very strong likelihood that industry will be engaged in these persuasive tactics for a long period of time, during which they would be called upon to absorb not only their own general wage increases but those imposed upon the railroads, which result in the authorization of general freight-rate increases, as well.

In closing, I might add that the ICC has approved a number of general freight-rate increases in favor of the motor-carrier industry, ranging from 4 to 20 percent, in different sections of the country, all of which have had to be absorbed by industry to date.

Sincerely yours,

PAUL S. WILLIS, *President.*

ALLBORO RETAIL FRUIT ASSOCIATION, INC.,
New York 7, N. Y., May 2, 1946.

HON. ROBERT F. WAGNER.,
*United States Senator,
Chairman, Committee on Banking and Currency,
Washington, D. C.*

DEAR SENATOR WAGNER: This is to acknowledge receipt of your letter of the 29th: contents noted.

It is very unfortunate that the committee's schedule has been so heavy that it does not allow enough time for our organization to appear and express the views of the small businessmen in the city of Greater New York. It is my opinion that

the small businessmen are the backbone of our Nation and that they have suffered more than everybody else during this trying period, whereby black-market operations have been greater than in any other industry. Their merchandise is perishable; their rent is high; and the wages, the highest that the industry has ever known. Labor is entitled to every penny they can earn. However, the small business people must be permitted to earn a livelihood.

I do not say that the OPA is harmful. I earnestly believe that it is the best thing for the small businessmen, provided a program is made more liberal and a conscientious effort be made to drive the black-marketeer away from the business at its source.

Prior to the OPA, the fruitmen were allowed a 40-percent mark-up. This would suffice at the present time if the OPA would permit it. The small businessmen are only asking the OPA to take into consideration that when the crop is bad the prices must rise, and when holiday seasons arrive, prices likewise rise. This has happened since time immemorial.

We are all against inflation; however, some control must be exercised, but I do not want the small businessman to be the guinea pig for the black-marketeers.

I hope that this message is conveyed to your committee, for which I am enclosing herewith 20 copies, pursuant to your request, and that this letter be entered as part of the Congressional Record with the same force and effect as if it were stated personally before your committee.

Respectfully submitted,

ALLBORO RETAIL FRUIT ASSOCIATION, INC.,
By EDWARD A. HAUSMAN,
Executive Secretary.

1946 EXTENSION OF THE EMERGENCY PRICE CONTROL AND STABILIZATION ACTS OF 1942, AS AMENDED

FRIDAY, MAY 3, 1946

UNITED STATES SENATE,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C.

The committee met at 10 a. m., pursuant to adjournment on yesterday, in room 301, Senate Office Building, Senator Robert F. Wagner (chairman) presiding.

Present: Senators Wagner (chairman), Barkley, Bankhead, Taylor, Mitchell, Carville, Millikin, and Capehart.

The CHAIRMAN. The committee will come to order.

Senator MITCHELL. Mr. Chairman, I would like to file as a committee exhibit, a petition circulated by the Joint Committee of Organized Auxiliaries in Seattle, Wash., on a week ago Friday. Apparently it was circulated one day and signed by 5,000 people in Seattle, urging the continuation of a strong OPA price-control bill. I would like to ask to have printed in the record the letter to Senator Magnuson which transmitted this petition, along with a telegram sent to me.

The CHAIRMAN. That may be placed in the record.
(The letter and telegram are as follows:)

JOINT COMMITTEE OF ORGANIZED AUXILIARIES,
Seattle, Wash., April 27, 1946.

Senator WARREN G. MAGNUSON,
Senate Office Building, Washington, D. C.

DEAR SENATOR MAGNUSON: Enclosed you will find petitions bearing more than 5,000 signatures in support of continued price control with no deviation from effective policies, and urging maintenance of price and rent ceilings without crippling amendments or nullifying revisions.

These petitions are the result of last Friday's petitioning campaign in downtown Seattle by members of the Joint Committee of Organized Auxiliaries representing auxiliaries of 12 AFL, CIO, railway brotherhood, and independent unions, as well as many nonlabor organizations.

The 5,000 signatures sent to you bring to nearly 20,000 the number of signatures obtained by our committee since the first of the year in support of continued, effective price control, and prompt action for price control by Congress.

We think you will be interested in knowing that our petitioning campaign received overwhelming support from the people in Seattle. Men and women, old and young, in work clothes and in fine dress, from plants and office buildings, lined up (and we mean that literally, for people stood in lines to get up to our five booths) to go on record for price control continuation.

Many went further than just signing our petition. They took post cards back to their offices, shops, and neighborhoods. They asked for petition blanks to circulate where they work and live. Many men, including veterans as well as businessmen, and members of our unions, joined us, some for just a few minutes, some for hours, to pass out literature and urge people to sign our petitions. Girls from office buildings near our booth on Third and Union came down during their lunch hours to help us.

We are telling you these details because we think you should, in view of some of the statements you have made about "amending OPA", realize how generally widespread is public support to continued, effective, price control. And we think you should know that people are alarmed over the action of the House in crippling OPA with amendments which, as E. M. Weston, president of the State federation of labor, said so graphically, "Cut the very heart of our price control."

It's not that OPA is perfect. It's simply that we have seen just what can happen when "amending" starts. We're not the kind of people in this country, you know, who are so foolish as to believe in "throwing out the baby with the bath water," so we're asking that OPA be given an opportunity to hold price lines and we're confident that the organization, so well administered so far, will be able to adjust its policies to changing conditions.

So, in the interests of the people of your district—and the whole United States—we petition you to vote for continued price control, effectively administered by OPA and not hamstrung by amendments.

Likewise, we urge you to work with other members of the Senate toward this end, so that when the vote is cast an overwhelming majority will support the safeguarding of the country's interest through the maintenance of controls that protect us from disastrous inflation.

With our thanks and respects.

Sincerely,

JOINT COMMITTEE OF ORGANIZED AUXILIARIES,
Mrs. EDITH COLEY, *Chairman*.

Carbon copy to Senator Hugh B. Mitchell.

Senator HUGH B. MITCHELL,
Senate Office Building, Washington, D. C.:

Last Friday 5,000 Seattle men and women signed petitions for continued price control unimpaired by crippling amendments. Signature sent to Senator Magnuson as proof that his constituents want him to join you in your valiant fight to save effective price control. Community appreciate fully your fine work. Stand firmly behind you. Regards.

JOINT COMMITTEE OF ORGANIZED AUXILIARIES,
Mrs. EDITH B. COLEY.

The CHAIRMAN. After a conference with the members of the committee—because I never do anything without their agreement—we have decided we must finish today, and we have decided to give only 10 minutes to a witness. We are going to insist upon that rule.

**STATEMENT OF ROBERT A. SEIDEL, DIRECTOR, NATIONAL
RETAIL DRY GOODS ASSOCIATION, WASHINGTON, D. C.**

Mr. SEIDEL. Senator, I came down here last week. I sat here for 2 days last week waiting to testify. I sat here all day yesterday waiting to testify. I represent the National Retail Dry Goods Association and I cannot make an adequate presentation of this problem in 10 minutes, or in 20 minutes.

The CHAIRMAN. Well, if I start with you to increase your time, then the others are entitled to it, too. There comes a time when we have got to limit our time here. You can put into the record and the Senators, when we are discussing this legislation, will read all of the testimony. You can be sure of that.

Mr. SEIDEL. I don't have a prepared statement to put in the record. I would like to demonstrate the way price control is affecting the retail industry.

Senator CAPEHART. Are these your exhibits here?

Mr. SEIDEL. Yes.

The CHAIRMAN. How long will it take you?

Mr. SEIDEL. I am not sure. I don't know, sir. It depends on how many questions the people on the committee ask me. In the House it took 4 hours. I don't know how long it will take here.

The CHAIRMAN. We cannot possibly take 4 hours here, or anywhere near that length of time.

Senator CAPEHART. Mr. Chairman, why don't we start in and see how interesting it is? Maybe we will be so interested we will want to give him 4 hours.

The CHAIRMAN. Well, my difficulty is that I want to stand by the committee which wants to finish today. There are a large number of witnesses still to be heard.

Senator CAPEHART. Maybe there is a number of those witnesses that won't want as much time. I don't know.

The CHAIRMAN. Well, I am going to limit you, Mr. Seidel. You may proceed, but if you talk too long, I will have to stop you. I know you are aggrieved, and all that sort of thing, but what about us? We are supposed to finish this. I know you are trying to say something mean.

Mr. SEIDEL. Not at all, sir.

The CHAIRMAN. All right. Proceed.

Mr. SEIDEL. My name is Robert A. Seidel. I am vice president and comptroller of the W. T. Grant Co., and I represent the National Retail Dry Goods Association, composed of 7,000 department stores throughout the country.

We in the retail business are not happy with the job we are doing. We are fed up with overpriced substitute, inferior wartime goods, with having to apologize to customers who find it increasingly difficult to understand the continued deterioration of quality and the extreme shortages of most essential items. We urge that Congress restrict the activities of OPA and require immediate removal of all controls that retard production, that force quality deterioration, that force items out of production, that encourage subterfuges, that raise the cost of living, that prevent us from supplying the goods that our customers need.

It is obvious to retailers that OPA's unfair, outmoded, unrealistic, and dilatory approach to pricing problems is an impediment to production.

Practically every important regulation that has been issued has worked in reverse, and the end result has been forced price increases and cheapening the quality as well as disappearance of goods.

Consumers have been severely penalized because they are compelled to purchase inferior, overpriced, substitutes, in price ranges very much higher than those in which they would normally buy.

Manufacturers of far too many important lines have been compelled to discontinue production of prewar commodities that they were skilled in making in great volume, and to shift to lines in which they are not experienced. They have been forced to develop wholly unnecessary new products as a subterfuge to obtain price relief, whereas in most cases the new products are not equal to the old products in either quality or utility.

Senator MITCHELL. How do you know they have been forced?

Mr. SEIDEL. They are changing to other items of inferior quality and higher price, but not producing the things which the consumer would like to buy.

Senator MITCHELL. That is what they have told you?

Mr. SEIDEL. What who has told me?

Senator MITCHELL. Well, I presume the manufacturers, since you are in the retail business.

Mr. SEIDEL. That is right, but of course, all OPA orders are published in the Federal Register. They are obvious to anybody. You can see what they are doing. It is not a question of telling us.

Senator MITCHELL. You have the ability to reach a conclusion on a manufacturer's problem?

Mr. SEIDEL. Yes, sir. We think it is perfectly clear that the price-control policies as they are presently administered are doing much more harm than good.

The OPA has throttled industrial activity throughout the country. It is clear that the stupidity and incompetency of that particular agency is costing our consumers billions of collars.

There is nothing mysterious about the continuing shortages. They are clearly the result of inadequate and unreasonable pricing orders. In order to demonstrate clearly and conclusively the extent to which these unworkable and unrealistic price regulations affect supplies, I would like to give you some sales and inventory data on some essential consumer lines.

Although the war has been over for 8 months, the current shortage and the shortage that has obtained during the months since the war ended, are more acute than at any time during the war. I want to quote from our own company's figures.

We have 490 stores throughout the country and I would like to quote from some of our figures to show just what our dollar stocks are as of January 1 this year, as compared with other years.

In domestics—that includes sheets and other bedding, toweling, and so forth—in January 1942 we had an inventory of \$1,498,000. In January 1943 it was \$1,242,000. In January 1944 it was \$781,000. January 1945 it was \$509,000, and in January of this year it was \$283,000. Our stock as of January this year is 18 percent of what it was in January 1942, and it is 55 percent of what it was a year ago while we were at war.

In hosiery, in January 1942 it was \$3,178,000. It went down steadily and by January of this year it was \$644,000; 20 percent of what it was in January 1942, and 38 percent of what it was in January 1945.

Underwear, it went from \$1,973,000 in January 1942 to \$441,000 in January 1946. Our stock is 7 percent of normal as of January this year and 43 percent of what it was a year before.

Curtains and curtain materials, from \$2,146,000, it went down to \$750,000; 35 percent of what it is normally and 88 percent of last year.

Yard goods, \$2,023,000 in 1942 and down to \$275,000 in 1946. The stock is 13 percent of normal and 42 percent of last year.

Lingerie, \$1,927,000 in 1942, down to \$724,000 in January of this year; 37 percent of 1942, and 48 percent of 1945.

Your first reaction will be, of course, yes, stocks are low, because your sales are good, but that is not true. For example, our stock of men's shirts in 500 stores, and this includes all types of shirts, amounted to only \$22,000 in January of this year. It is normally \$600,000.

Senator BANKHEAD. \$22,000 against \$600,000?

Mr. SEIDEL. Yes, sir. Our sales of shirts during last fall were not over 25 percent of any peacetime year and the sales were much lower than they were during any of the wartime years. Sales of staple cotton yard goods last fall declined 57 percent from the fall of 1944. At the same time, sales of novelty materials, almost entirely inferior overpriced wartime substitutes, increased 200 percent. Our sales of drapery materials declined 80 percent, but the sales of ready-made draperies increased 170 percent.

I am talking about the fall of last year. Sales of sheets and pillow cases decreased 46 percent of last fall, and bedspreads and bedding decreased 60 percent. Women's slips were off 15 percent. Women's nightgowns were down 56 percent.

Senator BANKHEAD. How many stores did you say you have?

Mr. SEIDEL. 490. That is our company, W. T. Grant Co.

Senator CAPEHART. Would you say all other stores are comparable to that?

Mr. SEIDEL. I would say that stores that are in our price range, Senator Capehart, are. We are a low-priced store, and I would think that stores dealing in lines similar to ours would have a similar experience.

Last fall the sales of men's lightweight underwear were under half of any peacetime year, and our January stocks are one-fifteenth of normal. All of these decreases occurred in our first peacetime fall as compared with our last wartime fall period.

During that same period total over-all retail sales and profits reached a new high, primarily because of extremely heavy sales of high-priced novelties, gifts, and less essential apparel. Novelty jewelry increased 80 percent. Luggage was up 92 percent. Handbags were up 60 percent. Fountain pens were up several hundred percent. Novelty aprons were up 67 percent; women's coats, 47 percent; small leather goods, 60 percent; gloves, 50 percent; art goods, 65 percent; and novelties in the millinery line were up 170 percent.

Now, all of these facts give you some idea——

Senator BANKHEAD. What period did that cover?

Mr. SEIDEL. Last fall, sir, from the 1st of August last year through January 1 of this year. That is the fall season. The fiscal year for our company ends January 31.

Now, these things give you some idea of why we cannot help but believe that the administration of price control is becoming more and more a mess.

Mr. Bowles keeps talking glibly of over-all retail sales and profits, and he is inclined to tell anybody that does not agree 100 percent with his arbitrary, narrow viewpoint, that they are advocating runaway inflation. Retailers are most unhappy with the present situation not at all because of its effect on over-all sales and profits, but rather because we are unable to supply our customers' needs, and the situation is becoming more acute every day.

If the only concern of retailing was high profits, we would probably as a body stanchly support making OPA a permanent institution, because our profits jump by leaps and bounds in times of scarcity, and practically all consumer lines will continue to be scarce as long as industry continues to be hog-tied by government.

In fact, I think there is nothing quite so inflationary as too much government.

Of course, our profits are up. They are bound to be, but it is a little irritating to have Mr. Porter announce as he did 2 weeks ago:

Established manufacturers are really going to town under the reconversion formula. We are going to have goods flowing out of our ears within a very short time.

Retailers generally are fed up with OPA's high pressure, with their misleading propoganda, and with their phony comparisons and predictions. Every housewife knows whether or not this line has been held. Consumers spent \$83,000,000,000 last year, 84 percent more than they did prewar for approximately the same amount of goods. It must be kept in mind that these price indices do not reflect quality deterioration, nor do they reflect production or availability of goods on the black markets that are becoming more and more prevalent and now are really getting out of hand, or the cost of subsidies. These indices just don't tell the true story, and I would like to indicate with these few examples exactly what the real figure has been on staple items.

I would like to start with men's shirts. In March 1942 the typical white shirt was made of combed mercerized broadcloth with a thread count of 144 by 76 per inch, and cost \$12.80 per dozen. The lowest cost price that we have been able to find recently was a shipment made in November 1945. I can find no record of any shipment by anybody of that quality of shirt, but these were the nearest thing to it and the price charged was \$21 per dozen. The cloth in that shipment was identical with the cloth used in March 1942, but in many other respects the shirt didn't measure up to the March 1942 shirt.

First, the tail was shorter and the yardage per dozen is about 1½ yards less. Second, the collar is inferior. It is made with poorer lining materials that are not uniform.

Manufacturers have to use practically anything they can get their hands on as collar linings. The collars are soft, whereas in 1942 they were fused. The buttons are made of plastic. They formerly were of ocean pearl. The laundering is not nearly as satisfactory as it was formerly and there is no comparison in the packaging.

Now, the actual increase in dollar price for that shirt was 64 percent, but the deterioration in the quality of the shirt is at least 15 percent. If you couple the two you have a real increase in the price of that shirt of 93 percent.

Boys' shirts, a staple boy's shirt of sanforized printed percale, 80 square print to an inch, in March 1942 cost \$7.75 a dozen. In January 1946 the cost of a shirt made of 68-by-64 cloth, a cheaper cloth, is \$11.75 per dozen. We had to use that for comparison because there are no 80 square shirts available.

The cost price of the 68-by-64 cotton print as of today is 16.1 percent more than the cost of the 80 square print, and in addition the buttons, the laundering, and the packaging are also deteriorated.

Now, the actual increase in the price of that boy's shirt is 52 percent and the deterioration in quality is 20 percent. Couple the two and we have a real increase of 90 percent.

A woman's housedress, a cotton housedress, in March 1942, made of 68-by-72 percale, cost \$12 a dozen. In January 1946 the cost of this housedress is \$24 a dozen. The 1946 dress has only a 1-inch hem, one pocket, and a single collar and belt. The 1942 dress had a 2-inch

hem, two pockets, and double-faced collar and belt. The 1946 dress is utility styled, and the 1942 dress was fashion styled.

The actual increase in price is 98 percent. The estimated deterioration in quality is 20 percent, and coupling the two, the net increase is 147 percent for women's cotton dresses.

Girls' dresses, an 80 square print dress in March 1942, was \$10 a dozen, and in January 1946, of 68-by-72 percale, the dress is \$15.75. The 1946 dress contained 2 yards of material less. The hems have been cut from 3 inches down to 2 inches. There is no cuff on the sleeve, no double-faced collar or belt, and only one pocket instead of two. In addition, the fabric used is cheaper. The increase in cost is 58 percent and the deterioration in quality is 25 percent. The net increase is 111 percent.

I might give you a further indication of the amount of real price increases. In 1940 our sales were approximately \$112,000,000 and that year we paid a freight bill of \$2,495,000. Last year our sales totaled \$180,000,000, which was 62 percent more than the sales during 1940, and our freight bill was \$2,747,000, which was about equal to that of 1940, notwithstanding the fact that motor-trucking rates are 10 percent higher than in 1940, express shipments contain a 10-percent shipment additional charge, and we now have to pay a Federal tax of 3 percent on all transportation charges.

We formerly shipped some things by water. We now ship nothing by water. The net result of all this is that these figures show our company is obtaining 62 percent greater dollar volume on a much smaller amount of physical goods than we handled in 1940.

Everybody knows that labor costs and material costs have increased sharply, and under the circumstances price increases to consumers are inevitable. However, I do believe it is high time that the consumers generally be acquainted with the fact that OPA has not held the line. Certainly there is nothing inflationary or extortionate about a fair price. OPA implies that their present pricing policies permit manufacturers a price sufficient to defray current costs and yield prewar profits, but all industry knows that that is not the case.

The pricing formulas are industry averages and they make only partial allowances for current labor and materials costs and administrative expenses.

The strict application of these policies has been and is currently a major impediment to the production of goods. Old-line manufacturers have been forced to change their line and at the same time, under the "in line" pricing theory—and that is a misnomer; all "in line" prices seem to be out of line—countless thousands of newcomers have been permitted to enter into the manufacturing field and produce commodities at prices considerably higher than would be necessary to enable old-line manufacturers to remain in their regular businesses.

This situation is, of course, completely ridiculous. It is widespread and it is inexcusable. I would like first to show it with the lawn mowers. The center of the lawn-mower industry is the State of Indiana as Senator Capehart undoubtedly knows. This lawn mower came from the F. & N. Lawnmower Co. of Richmond, Ind., which is the largest producer of lawn mowers in the world. In 1941 this lawn mower was produced for \$5.75. The OPA granted a price increase of 17 percent last October, not nearly enough to cover the increase in cost that the lawn-mower manufacturer has had. His gray castings

are up 35 percent; malleable castings are up 45 percent; labor cost is up 50 percent. The OPA 17 percent was not enough to get him into production. He has protested many times, all in vain. So, he is not now producing. He needs \$7.76 to make this mower. The OPA has not given it to him. This is the largest producer of lawn mowers and he has not shipped one mower this year.

I would like to put into the record a letter from the F. & N. Lawn-mower Co. This is dated February 11, 1946, and states very plainly exactly why they cannot produce lawn mowers. The letter is as follows [reading]:

RICHMOND, IND., *February 11, 1946.*

W. T. GRANT Co.,

New York 18, N. Y.

(Attention Mr. T. J. Coyne, Merchandising Department.)

DEAR MR. COYNE: The writer has been away from the office for the past week, which accounts for the delay in replying to your letter of the 5th instant.

Samples of the three mowers that appeared in Ward's Fall 1941 Catalog were shipped by express prepaid to Mr. Hagen on February 6.

Since OPA has based our prices on those which were in effect in October 1941, we believe that these are the prices which Mr. Sediel should use, and these prices were as follows:

Style No. 5667, \$5.75.

Style No. 5678, \$7.35.

Style No. 5687, \$10.

If we were to manufacture the above numbers at the present time, we should have a mark up of 35 percent on No. 5667, and 25 percent on Nos. 5678 and 5687. Below you will find the October 1941 price again repeated, another list of prices showing the 17-percent increase which has been allowed by OPA, and in the third column is the price that we should have to make a living profit:

Style No.	October 1941	17-percent mark-up allowed by OPA	Price we need under present-day costs
5667.....	\$5.75	\$6.73	\$7.76
5678.....	7.45	8.60	9.19
5687.....	10.00	11.70	12.50

The writer hopes that the above schedule of prices will furnish the information required, and if we can assist further in any way, please command us.

Yours very truly,

THE F. & N. LAWN MOWER Co.,
B. T. HILL.

Mr. SEIDEL. This is the next price range of lawn mowers, and this one was sold in 1941 for \$7.35. OPA permits \$8.60. The manufacturer requires \$9.19.

Now, the only lawn mowers available are high-priced new numbers made by newcomers in the industry.

The CHAIRMAN. Are you in the lawn mower business?

Mr. SEIDEL. Oh, yes; we sell lawn mowers.

The CHAIRMAN. I know you sell practically everything.

Mr. SEIDEL. We sell practically everything.

Senator CAPEHART. Do you have any samples of these lawn mowers made by the new manufacturers?

Mr. SEIDEL. I didn't bring them along, sir, but we can send them down here in droves if you would like to have them.

Senator CAPEHART. What are they selling for?

Mr. SEIDEL. Right now about the cheapest lawn mower that anybody can find in retail stores is around \$23.99—it is either \$22.99 or

\$23.99. There have been some prices authorized around \$16 to \$18, but they are made by newcomers. None of the old-line manufacturers are producing, and this letter points out that the manufacturers that make 85 percent of the American lawn mowers are not in production. It points out, too, what has happened to the newcomers, and I will read a paragraph of this:

As an old-time producer of lawn mowers, we are penalized by OPA, who have determined our "increase factor" based on prewar operations. The newcomers in our industry and those factories which have changed ownership and which are now considered by OPA as new manufacturers are permitted to establish prices based on present-day costs and can calculate their selling prices accordingly. This is most unfair.

Another penalty against the old-time producers is that provision in the order which requires them to furnish a complete assortment of mowers, including low-end numbers, and in the same proportion as prewar. The newcomers in the industry, also those factories which have changed ownership and are now considered by OPA as newcomers, are not penalized in this respect. They are permitted to offer higher-priced numbers only without restrictions on quantity. This is also most unfair.

I would like to put this whole letter in the record. I think it is quite important, but I don't want to take any more time.

The CHAIRMAN. That may be placed in the record.

(The following letter was submitted for the record by Mr. Seidel:

RICHMOND, IND., *January 31, 1946.*

To Our Customers:

GENTLEMEN: On October 10, 1945, the Office of Price Administration issued order No. 3, under Maximum Pricing Regulation No. 188 covering the manufacture and distribution of hand lawn mowers.

The order is unworkable. It allows the manufacturer a mark-up of only 17 percent over 1941 prices, while the component parts of a mower and labor are now so much more costly. Gray iron castings are 35 percent higher and malleable iron castings are 45 percent higher than they were in 1941, and these higher prices have the approval of OPA. Other parts, such as handles and rollers and certain steel items, are higher in price than in 1941. Nothing costs less. Labor costs are 50 percent higher.

As an old time producer of lawn mowers, we are penalized by OPA, who have determined our "increase factor" based on prewar operations. The newcomers in our industry and those factories which have changed ownership and which are now considered by OPA as new manufacturers are permitted to establish prices based on present-day costs and can calculate their selling prices accordingly. This is most unfair.

Another penalty against the old-time producers is that provision in the order which requires them to furnish a complete assortment of mowers, including low-end numbers, and in the same proportion as prewar. The newcomers in the industry, also those factories which have changed ownership and are now considered by OPA as newcomers, are not penalized in this respect. They are permitted to offer higher-priced numbers only without restrictions on quantity. This also is most unfair.

The order provides a ceiling price for the chain store and mail-order houses of 150 percent of the manufacturer's ceiling price, while the ceiling price for the independent dealer is 170 percent. Such favoritism granted to chain stores and mail-order houses in pricing mowers for resale to the consumer is wrong. Such a policy would eventually drive the hardware dealer out of business.

Again the order provides for the price-tagging of mowers, with the exception of those furnished to mail-order houses and chain stores, with no provision for the freight cost. How can the manufacturers put a ceiling-price tag on a lawn mower with the same price for resale in Richmond, Ind., as in California or Texas? The hardware jobber or retailer cannot absorb this freight cost when the retailer's percentage of profit as directed by OPA is only 27 percent on his selling price and the jobber's profit is 19.4 percent. It costs the hardware jobber and the hardware retailer more than is allowed to them in the way of profit to do business.

OPA regulations and restrictions have greatly hindered the reconversion of our industry. We have discussed this matter with other manufacturers representing at least 85 percent of the hand lawn mower industry, and they view the matter exactly as we do. They cannot and will not produce on the basis of order No. 3 above-mentioned as directed by OPA, and the result will be that very few hand lawn mowers will go on the market until the order is properly corrected or eliminated. The manufacturer cannot produce at a loss and is not satisfied with the terms of the order as above set forth.

We were advised 6 weeks ago that an amendment to the order would be issued by OPA pertaining only to freight cost. To date the amendment to the order has not been issued, and such an amendment will not eliminate the other objections to the order enumerated above.

Lawn mowers are nonessential so far as actual living costs are concerned, and OPA should immediately remove all controls and restrictions. Manufacturers could then go quickly into full production, and competition would keep prices in line. No manufacturer who expects to remain in business would entertain the thought of an extra profit for a temporary period of time. All that we want to do is go back to work, give full employment, supply the pent-up demand for lawn mowers, and make a living profit.

Our Representative in Congress and our two Senators from Indiana are fully informed regarding the predicament in which our industry is placed by OPA. They are sympathetic and are trying to help us. We now solicit your help in presenting this matter to your congressional representative and to the two Senators from your State in an effort to secure assistance from them. Further, it would be appreciated if you will present the matter to any organizations to which you belong and to those whom you think could help us in any way. Our interests are mutual, and whatever assistance you may be able to give us to get lawn mowers on the market will be sincerely appreciated.

Respectfully yours,

THE F. & N. LAWN MOWER CO.

Senator CAPEHART. Mr. Chairman, do you think we should take the time now to ask the OPA representative who is here why the new manufacturer of lawn mowers would be given a higher price than the old manufacturer?

The CHAIRMAN. Well, is there somebody here?

Mr. SELLS. Mr. Heilman is here. He is in charge of that branch.

Mr. SEIDEL. This won't come off of my time, will it?

Senator CAPEHART. You don't need to do this if you don't want to.

Senator MITCHELL. May I ask whether those lawn mowers are numbered in some way, so that it could be noted in the record and the OPA could check on them?

Mr. SEIDEL. Yes.

Senator MITCHELL. I wondered if we could have them identified so that the OPA can know which ones we are talking about.

Mr. SEIDEL. They are all made by the same manufacturer, and the letter that I put into the record is from that manufacturer.

Senator MITCHELL. Does that letter tell the individual lawn mower by number, or lot, or something, so that the OPA can tell what it is?

Mr. SEIDEL. Well, I will put the three numbers in the record.

Senator CAPEHART. Mr. Chairman, I would like to ask the OPA representative: Is it a fact that new manufacturers are given a higher ceiling than old manufacturers for comparable merchandise?

Mr. HEILMAN. No. That is not so.

Senator BANKHEAD. I have been complaining that in the garment business it is just the reverse—they are discriminatory against the new ones.

Senator CAPEHART. You say it is not true that new manufacturers are given higher prices than old-line manufacturers?

Mr. HEILMAN. That is right, sir; for comparable models.

Senator CAPEHART. What do you mean by "comparable models"?

Mr. HEILMAN. A new manufacturer coming into the business has a selection or a model he might want to make; and, to the best of our ability, we give him a price in line with that of old manufacturers for a lawn mower of that type. If he is making an aluminum lawn mower, we price them in line with a manufacturer who produces aluminum lawn mowers. That may be a considerably higher price than the models shown today.

Senator CAPEHART. How do you arrive at that particular price for that manufacturer?

Mr. HEILMAN. That is a base-period price, on which he has received a 17-percent increase and yesterday an additional increase to bring it up to 28 percent.

Senator CAPEHART. Yesterday?

Mr. HEILMAN. That is right.

Senator CAPEHART. You must have known this gentleman was going to testify.

Mr. HEILMAN. No, sir. It takes considerably longer to get a legal document out than the day before.

Senator CAPEHART. You set the old manufacturer's price on that lawn mower against a base period?

Mr. HEILMAN. That is right.

Senator CAPEHART. And how do you set the new manufacturer's price?

Mr. HEILMAN. In line with the base period on models of old-line manufacturers, plus the increase given to the industry.

Senator CAPEHART. Plus the increase given to the industry?

Mr. HEILMAN. That is right, sir. The 17-percent level, and it is now 28 percent higher than the base period.

Senator CAPEHART. Well, you take the position that the old manufacturer can manufacture cheaper than the new manufacturer?

Mr. HEILMAN. No; we don't, sir.

Senator CAPEHART. I have many, many instances of where new manufacturers have been given higher ceiling prices than old manufacturers to make comparable merchandise. It has been brought out time and time again in the Small Businessmen's Committee; and I think, or I rather suspect, every Senator in the Senate has examples of where new manufacturers have been given higher ceiling prices than old manufacturers for the same or comparable merchandise.

Senator BANKHEAD. I have examples just exactly the contrary.

Senator CAPEHART. Where a new manufacturer has been given a less price?

Senator BANKHEAD. Yes; in garments.

Senator MITCHELL. I have here a report of the Small Business Committee issued March 14 of this year which states that prices are not preventing old companies from producing their normal products in normal volume, so apparently the Small Business Committee reached a different conclusion.

Senator CAPEHART. That may be a report, but that is not the unanimous opinion of the committee.

Senator BARKLEY. Is it possible always to decide what is a comparable commodity? A new manufacturer does not go around and copy item by item what some other company is making. They probably try to make improvements on it or have a different model

that will be its own. There is no way to compare an aluminum lawn mower with one that is made of iron or some other metal. Even where they are made of the same thing, it may be difficult. It may be claimed that one is an improvement over the other, or it is a better one than the other. Is it absolutely possible to have an identical product made by different people so there won't be any difference in price?

Mr. HEILMAN. No. That is correct. It is a very difficult job for us to do in pricing new articles produced by new manufacturers. Each manufacturer believes that he has the best item it is possible to make. He has spent time and engineering in improving it and so forth. We have to take into consideration any improvements that he might have made that are more costly to put in a lawn mower, or any other item.

A very good illustration of the difficulty we ran into is a recent case on a glass electric heater. There had never been a glass electric heater made. There are two sheets of plate glass with an aluminum electron on it. That presents a very difficult problem for the office to give that new manufacturer of that entirely new article a fair price. Our final approach to that case was to give him his costs plus the industry mark-up, and it was satisfactory to him.

Senator CAPEHART. Mr. Chairman, let me ask this question: Why don't you give this manufacturer a price here that will permit him to make a little profit and make lawn mowers and sell them?

Mr. HEILMAN. Senator Capehart, if you will permit me, I will take 2 or 3 minutes to sum up our relationship with the lawn-mower industry.

Senator CAPEHART. Why can't you answer the question? I mean, why can't you give that manufacturer a price that will permit him to make that lawn mower and sell it?

Mr. HEILMAN. That will be included.

Senator BARKLEY. I suggest you cannot pick out a single lawn mower on the table and ask why that cannot be sold at a profit. Why don't you let him explain the situation as to the lawn-mower industry?

Senator CAPEHART. I think all the old-line manufacturers in the lawn-mower industry are losing money or they are producing no lawn mowers whatsoever. I am greatly interested in this because the majority of the factories are in Indiana and they are not producing. They are closed up and people are out of work. I am asking why it is not possible to give them a price that will permit them to manufacture lawn mowers.

The CHAIRMAN. He wants you to give an explanation.

Mr. HEILMAN. The answer is that it is possible, but I would like to give you the background. It will just take a minute.

The lawn-mower industry came into us with a problem in 1945. We undertook a reconversion survey and in October granted them an increase of 17 percent over their October 1941 prices. We met with the industry advisory committee of the group and discussed thoroughly the reconversion formula and our method of arriving at the 17 percent.

Shortly after the issuance of that regulation, indirectly we started to receive copies of letters that the lawn-mower manufacturers were sending out complaining about their inability to produce under the order. There was no direct complaint made to OPA.

As a result of that I felt that it was necessary to call the industry advisory committee in and discuss the problems with them.

That meeting was held in November. We discussed the problems that they had on their mind. One of them was that the order required a balanced production. They said they were unable at this time to produce and ship lawn mowers; their unbalanced inventories from 1941 and 1942 compelled them to produce only high priced lawn mowers.

We took care of that by approving production schedules of the individual manufacturers.

There was also a question of freight at the retail level. We also took steps to correct that. The price formula permitted us to recognize current labor costs. We completed that survey and announced to the industry in the early part of April that the increase was 28 percent rather than 17, and to the best of my knowledge that is satisfactory to the major producers who are located in Richmond, Ind.

That also takes care of freight at the retail level.

In addition to that on March 8 we issued a low end adjustment provision in which any lawn mower manufacturer who had a price of \$7 or less, could come in and get his prices adjusted. That would permit him to receive his current costs of materials and labor plus half of the industry profit.

In discussions with the major producers in Richmond, Ind., they have told me they are not in a position to produce low end lawn mowers at the present time.

The CHAIRMAN. Why?

Mr. HEILMAN. Principally because of the unbalanced inventories that they had on hand at 1941, plus the fact that they have difficulty in obtaining labor and castings.

The CHAIRMAN. It was not a question of price?

Mr. HEILMAN. It was not a question of price. That is right. They say they will be in a position to get production lines running on low-priced lawn mowers sometime in August or September.

Senator CAPEHART. Do you believe these figures which have been presented by the witness?

Mr. HEILMAN. Yes. If the NRDGA have them there, I believe they are correct.

Senator CAPEHART. Do they correspond pretty much with the figures you have had on the lawn-mower business?

Mr. HEILMAN. Well, I might indicate that I believe that is a sample of one of the lowest-priced lawn-mowers that have ever been on the market. It is a Montgomery Ward sample. In other words, it is an unreasonable illustration of what can and cannot be done today.

Senator CAPEHART. Do you call these others unreasonable?

Mr. HEILMAN. I haven't examined the models.

Mr. SEIDEL. If I could interrupt, I would like to ask him if he knows that nobody could make a lawn mower like this for \$12.50 unless they have been given a price yesterday. The manufacturers are still held up by pricing, and for no other reason. I will put other letters in the record about that.

Mr. HEILMAN. I disagree. They have labor and castings problems.

Senator CAPEHART. If they did not have labor and castings problems, and these figures are correct, they certainly would not produce if they were losing money on every lawn mower?

Mr. HEILMAN. That is right.

Senator CAPEHART. Furthermore, I see no relationship between the OPA job in pricing and the supply of castings and other parts. It seems to me as though your job should be to give the manufacturer a price that will permit him to make a little money or at least break even and produce lawn mowers.

The same thing is true of many, many other items.

Mr. HEILMAN. Lacking the labor and castings they cannot get their production lines going.

Senator CAPEHART. They certainly won't get them going even after they get labor and castings if they are losing money on every lawn mower.

Mr. HEILMAN. I discussed the matter with manufacturers in Richmond, Ind., Senator Capehart, the early part of April, and they agreed that the 28 percent increase was sufficient for them to produce.

Senator CAPEHART. Well, I am happy to know they are getting it, but the point is it has been nearly a year since the war was over in Europe and 7 months since VJ-day.

Now, on May 2, you are giving them a price that you say will enable them to produce, and I hope you are correct. I am glad to know they agree with you that it will permit them to make some lawn mowers.

The CHAIRMAN. That won't permit them to make them unless they can get the material.

Mr. HEILMAN. That is right.

The CHAIRMAN. Are they suffering the same difficulties that other manufacturers are for lack of materials, and so on?

Mr. HEILMAN. Castings, and labor in Richmond, Ind. There are lawn mowers being produced today. I believe the rate of production is somewhere between 25 and 50 percent of 1941, in an industry that is not readily adaptable to getting back into production quickly.

Senator CARVILLE. Materials are going to be higher now than they were a few months ago, are they not?

Mr. HEILMAN. The recent survey which gave them 28 percent took into consideration the steel increase in their anticipated increases and other increases that OPA is going to give in the immediate future.

Senator BANKHEAD. Is there any specific reason for the shortage of their material, the castings?

Mr. HEILMAN. Well, castings have been tight in all lines. It is not only lawn mowers but refrigerators, washers, and so forth. It is a labor problem, I believe, more than anything else, because it is not a very desirable job for a man in a casting foundry.

The CHAIRMAN. Let me ask you this: You did confer with the manufacturers?

Mr. HEILMAN. Yes, sir.

The CHAIRMAN. And they were satisfied with the price?

Mr. HEILMAN. That is right.

The CHAIRMAN. All right.

Mr. HEILMAN. But I might indicate they are not in a position to produce low end lawn mowers, which Mr. Seidel is speaking about. They will not be in a position to do that until August or September of this year.

The CHAIRMAN. Because of material?

Mr. HEILMAN. Because of material and labor and getting the production line started again.

The CHAIRMAN. They said so, did they?

Mr. HEILMAN. That is right.

Mr. SEIDEL. Senator, I don't know who you are going to believe on things like that.

Senator BARKLEY. I would like myself to know who to believe. You have two different sets of facts on almost every question here. I would like to know myself what the facts really are.

Mr. SEIDEL. We buy lawn mowers from the F. & N. Lawn Mower Co. of Richmond, Ind. They tell us they will sell us these lawn mowers, make them and ship them, as soon as they get their price.

I would like to put another letter from the F. & N. Lawn Mower Co. into the record, pointing out very clearly that price is the thing that is holding them up. This is dated April 19.

The CHAIRMAN. Very well.

Mr. SEIDEL. The letter reads as follows:

RICHMOND, IND., April 19, 1946.

Mr. T. J. COYNE,

*Merchandising Department, W. T. Grant Co.,
New York 18, N. Y.*

DEAR MR. COYNE: Thank you for your letter of the 17th instant.

We have deferred sending you a record of your allotment until we can get a price set-up from OPA. We have understood that our "increase factor" is to be 28 percent instead of 17 percent which will permit us to get back into production, but we have to wait until the order becomes official. Further, we do not know what the order will provide so far as distributors' prices or profit margins are concerned.

The new OPA order was supposed to have been issued and printed in the Federal Register the first of this week, but for some reason or other it has been held up, and the issuance date is indefinite. It may be wishful thinking on our part, but we wonder if there is a possibility that controls over the hand mower industry may be lifted completely in the near future in view of the turmoil now existing in Washington over the continuance of OPA after June 30.

You will hear from us further, Mr. Coyne, as quickly as we are able to give you any definite information about the price set-up, and at the same time will advise you about the first allotment and when we can start making some shipments for you.

We appreciate your interest, and with kindest regards, beg to remain,

Yours very truly,

THE F. & N. LAWN MOWER Co.,
B. T. HILL.

Senator BARKLEY. In that connection I would like to know how much of this letter writing in industries, between industries and their customers, and so on, is prompted by an effort to embarrass us here. Also, these advertisements that are appearing in the papers, signed by industries and industrial organizations, saying [reading]:

Write your Senator, write your Congressman, we cannot do this unless we get more money.

I want to know whether they are telling the truth, or whether it is just propaganda.

Mr. SEIDEL. Do you believe that industry has done anything more than those that are in charge of these agencies have done?

Senator BARKLEY. I don't know anything about that, but I know the National Association of Manufacturers flooded every newspaper in the United States with full-page advertisements of the type I am speaking about.

Senator CAPEHART. Senator, they spent \$300,000. They should have been ashamed of themselves for not spending a million.

Senator BARKLEY. Well, that is a matter of opinion. I am not complaining about that. I am not saying they did not have a right to do it, but do you suppose an agency of the Government is going to be silent if organized efforts are made to influence the Members of Congress in how they are going to vote? I don't think anybody can deny that happened, because in every one of these advertisements they told people to write to their Congressmen and Senators.

Mr. SEIDEL. When I came before the House committee the OPA distributed to every member present a great big pamphlet of 30 or 40 pages.

Senator BARKLEY. I don't see any objection to that pamphlet. I have seen it and read it. I don't see any objection to it. It tells the truth, and people are entitled to the truth.

Mr. SEIDEL. It is not the truth.

Senator BARKLEY. Well, the National Association of Manufacturers—

Mr. SEIDEL. I am not with the National Association of Manufacturers.

Senator BARKLEY. Well, you are asking us not to believe the OPA. There are a lot of complaints I have against the OPA. One of them is the interminable delay in getting action, and I have complained to them about it.

Senator CAPEHART. My observation is that anyone that comes in here from an industry knows his business. They are the people who are trying to make things and do business under all the difficulties that confront them, and trying to be honest and sincere and conscientious, and in the hope that they will be permitted to remain in business. I think that to question their integrity and honesty—

Senator BARKLEY. Well, if you are referring to me, I will say this: I haven't questioned it. I suppose you are referring to me. I have not questioned the integrity of anybody. We had a witness here yesterday who questioned the sincerity and honesty and integrity of everybody in the Government and you didn't complain about that.

Senator CAPEHART. I happen to be in the manufacturing business and I know what these men are telling is true. When I hear people on the other side get up and say they are not telling the truth, I tell you, I for one resent it. I don't believe we are conducting a fair investigation when everytime somebody comes in here that should know their business, that are in the business and have the facts, we question what they have to say. I am just as much interested in avoiding inflation as anybody in this room. I expect when the time comes to vote I will vote right on the subject, but I know from experience—I am not talking from hearsay—I know from experience—the letter that the gentleman is talking about there that the Senator took exception to, is a letter from a manufacturer to the Grant Co.—

Senator BARKLEY. I am taking no exception to any letter. I haven't even heard his letter. I am talking about his complaint that the OPA put before the House committee and probably will put before this committee, a pamphlet that does not contain the facts as they have been able to develop them; because they have done that in answer to a lot of propoganda that has come in from all sides.

The complaint is made that they are engaged in propoganda. They are entitled to answer these complaints that are made. It is their duty to do it, and because they do it, I don't think they ought to be

castigated for sending out propaganda. It is not propaganda any more than the other side of the question is propaganda.

Senator CAPEHART. I have no objection to either side doing what they are doing. I think they have a perfect right to do it, but if we have a right here to question one side, we have a right to question the other. This whole argument was brought up by the fact I asked the OPA representative here why the OPA could not give the manufacturer of a lawn mower a price that would permit him to produce. His answer was that if they gave them that price they still could not produce because they could not get castings and other parts.

Now, I ask you if that is a sensible argument when OPA has absolutely nothing to do with production.

The CHAIRMAN. Senator, I think he said he talked to the manufacturers in Indiana and he gave them a price and they were all satisfied with it.

Senator CAPEHART. He gave them a price yesterday.

The CHAIRMAN. No. This was when?

Mr. HEILMAN. It was issued yesterday under the wage-price policy. I discussed it with them at the end of January.

The CHAIRMAN. That is what I want to know, when you discussed it with them.

Mr. HEILMAN. At the end of January. They had labor and casting trouble.

The CHAIRMAN. When was the price determined on—yesterday?

Mr. HEILMAN. Yesterday the additional increase up to 28 percent was granted.

Mr. SELLS. It was published yesterday.

The CHAIRMAN. You talked to some representative of the industry, did you?

Mr. HEILMAN. Yes.

The CHAIRMAN. Was that yesterday?

Mr. HEILMAN. No; that was the early part of April.

The CHAIRMAN. Was that when they said that the price was all right?

Mr. HEILMAN. That is right, sir.

The CHAIRMAN. Well, you have answered the Senator's question.

Senator BARKLEY. I would like to ask, what was your position before you went with the OPA?

Mr. HEILMAN. I was with A. G. Spaulding & Bros., for 20 years in various sales capacities.

Senator BARKLEY. Sports goods?

Mr. HEILMAN. That is right.

Senator BARKLEY. How long does it take on the average—did it take 3 months—you say you met with these manufacturers in January. Here it is May. Did it take you 3 months to get the information that would enable you to issue this order yesterday?

Mr. HEILMAN. No. The sequence there was that the 17 percent was granted in October.

Senator BARKLEY. I know, but you are talking about in January, about some survey which resulted in your 28-percent order issued yesterday.

Mr. HEILMAN. That was granted under the wage-price policy which was only announced in January of this year.

Senator BARKLEY. Well, but that is still three months and a half. The complaint that I have—it is not only in regard to this—it affects other things—it takes you so long down there to make up your mind about what you are going to do. I had an instance brought to my attention where a concern was trying to get a \$4.75 ceiling on an article made in Covington and Newport, Ky., which is across the river from Cincinnati, Ohio. The OPA wanted to give them a \$1.85 ceiling. They could not make it at that price. The factory was closed 6 months and 1,500 men were out of employment. They discovered that over in Cincinnati they were getting \$4.75 for the very same or comparable merchandise.

Then they gave them \$4.75, 6 months too late. I cannot understand why the plant should have had to be idle and men out of work for 6 months while they are deciding on a price.

Senator CAPEHART. Senator Barkley, that is my contention exactly.

Mr. HELLMAN. I will agree with both Senators there are undue delays, but a price adjustment can be very irritating internally as well as to the outsider.

Senator CAPEHART. As a manufacturer let me say this: The manufacturer does not care whether you set his price or he sets it himself if it will permit him to operate. He doesn't care. If you have an idea he does care, that is not correct. He doesn't care as long as it will permit him to operate.

Senator BANKHEAD. Is there not some way down there to shorten the red tape and avoid all these interminable delays that everybody is irritated about?

Mr. SELLS. We are doing everything possible to speed up the necessary actions that have to be taken.

Senator BANKHEAD. It doesn't look like it, Mr. Sells.

Mr. SELLS. I agree with you on that, and I will agree with Mr. Heilman that we ourselves are irritated sometimes beyond any irritation in industry, in trying to get some of these things solved.

One of our difficulties has been manpower. We have several actions where the decisions have been made and everything is ready to go, but we have to decide the priorities in which they are to be prepared in order to get them out.

Senator BANKHEAD. How many different people have to pass on one of these matters like this we have just been discussing? How many division or bureau chiefs have to pass on them from the time they originate in OPA?

Mr. SELLS. It is prepared in the branch. Then it comes before the price executive in charge of the branch. Then it is cleared at the division level and goes to the Deputy Administrator and then to the Administrator who approves it finally, and then it goes to the Federal Register. So there are about four clearances.

Senator BANKHEAD. Four? Why, you have named at least six. I think Senator Capehart is right about this, if you didn't decide this until yesterday, when you started in January.

Mr. SELLS. The delay is in getting up legal documents that permit them to approve that increase.

Senator BANKHEAD. That is what I call red tape.

Mr. SELLS. That is right.

Senator BARKLEY. I suppose you realize that after 3 months of consideration in this particular case, to come in here to the committee

after 2 or 3 weeks of hearings and say that you gave them a price yesterday is fuel on the flames of those who oppose OPA and want it discontinued. They will say you are doing this because we are holding hearings and you would not have done it at all if we were not holding hearings. It creates a suspicion that probably puts a new difficulty in the way of those who want to be constructive.

We are going to be faced by a charge on the floor of the Senate which probably will be made by somebody that you did these things because these hearings were being held. I don't like that sort of an atmosphere in which to legislate a matter that is as important as this is.

Mr. SELLS. There is one point I would like to make very clear. This price was published in the Federal Register issued yesterday and that action had to be written some time back. That had to go through clearance and be published. It would have been impossible to have timed that to come out just at this strategic moment.

I think it is important to realize that when Mr. Heilman said the price was issued yesterday he meant that the document authorizing the price was published yesterday, but the actual work on the matter, as he says, was begun 2 months ago.

Senator BARKLEY. I am sure you observed when he said that the thing was done yesterday a snicker went all around this table on the theory that it was just done because we were holding these hearings.

The CHAIRMAN. When did the manufacturers know about these things?

Mr. HEILMAN. The first week in April.

The CHAIRMAN. They knew they were going to get it?

Mr. SELLS. That is right. I would like to get the record clear about that.

Senator MILLIKIN. Wait a minute. Mr. Chairman, I would like to ask—you say the manufacturer knew in the first week of April?

Mr. SELLS. That is right.

Senator MILLIKIN. Did he have informal knowledge, or knowledge of such character that he could act upon it?

Mr. SELLS. He couldn't use the increase until May 1.

Senator MILLIKIN. Which was the date it became formal and official, something firm and dependable on which he could regulate his own actions?

Mr. SELLS. That is right, sir. I would like to get the sequence clear in the record so that it is not going to be brought out that this price had any connection with this hearing—that the action was just taken because of this committee.

Senator CAPEHART. You can say that. I am not going to say it.

Senator BANKHEAD. Let's don't go into that any further. Let's go along with this man.

The CHAIRMAN. All right. Proceed.

Senator BARKLEY. I would like before the hearing is over to get some information, because I may have to answer that on the floor of the Senate.

Mr. SELLS. May I enter into the record the printed legal document I spoke of under date of May 1, as an indication that the matter has been worked on for a considerable length of time.

The CHAIRMAN. All right. Place it in the record.

(The document referred to is as follows:)

MPR 188
REV. ORDER 3 UNDER 159E
MAY 1, 1946

OFFICE OF PRICE ADMINISTRATION

(Document No. 54254)

HAND LAWN MOWERS

[MPR 188, Rev. Order 3]

ADJUSTMENT OF CEILING PRICES

Order No. 3 under § 1499.159e of Maximum Price Regulation No. 188 is amended, revised and redesignated, Revised Order No. 3, to read as follows:

For the reasons set forth in an opinion issued simultaneously herewith and filed with the Division of the Federal Register, and pursuant to § 1499.159e of Maximum Price Regulation No. 188, it is ordered:

SECTION 1. (a) *Purpose of this order.* Hand lawn mowers have been found to be a reconversion product in accordance with the standards set forth in § 1499.159e of Maximum Price Regulation No. 188. This order is issued under that section and permits manufacturers to increase their October 1941 prices, by a specified price increase factor. It also contains provisions governing wholesalers' and retailers' ceiling prices. It applies only to hand lawn mowers shipped by the manufacturer on and after May 1, 1946. It does not cover articles for which a manufacturer has determined his ceiling price under Order 4332 under Maximum Price Regulation No. 188.

(b) *Definition.* As used in this order:

(1) The terms "wholesalers" and "retailers" respectively refer to persons making sales at wholesale and retail as defined in the General Maximum Price Regulation.

(2) "Chain store" means a store which is one of a group of ten or more retail stores under common ownership or control which, as a group, had combined sales of over \$1,000,000 for the year 1944.

(3) "Mail order house", means an establishment selling at retail which makes offerings through catalogs or printed price lists, receives orders by mail, and makes deliveries by mail, railroad, express or other common carriers.

(4) "Hand lawn mower" means a lawn mower which is designed to be pushed by hand and which does not have any motor or engine for rotating, revolving or reciprocating the blades and/or propelling the mower.

(5) "Manufacturer's price" for the purpose of calculating retail ceiling prices in accordance with section 5 of this order means the manufacturer's f. o. b. factory ceiling price to the specified class of purchaser as provided by section 2 of this order, or his selling price to that class of purchaser if it is lower than his ceiling price.

SEC. 2. *Manufacturers' ceiling prices.* (a) A manufacturer's ceiling price for a sale of a hand lawn mower to each class of purchaser is the highest of the following:

(1) 128% of his highest price to each class of purchaser, other than ultimate consumers, in effect between October 1 and October 15, 1941.

(2) 109% of his ceiling price to each class of purchaser established under the third or fourth pricing method of Maximum Price Regulation No. 188, prior to May 1, 1946. However, in the case of an article priced under the third pricing method this increase may be charged only when the maximum prices of the comparable articles were no higher than the manufacturer's highest prices in effect to the same class of purchaser between October 1 and October 15, 1941.

(3) His maximum price to each class of purchaser otherwise established under Maximum Price Regulation No. 188, except under Order No. 4332.

(4) His adjusted ceiling price to each class of purchaser authorized under the provisions of Supplementary Orders 118, 133, 148 or Revised Supplementary Order 119.

(b) Regardless of any higher price computed in accordance with paragraph (a) above, a manufacturer's ceiling price to a dealer must allow the dealer a margin on the retail ceiling price fixed by this order of no less than 27%.

(c) If during any calendar quarter the net average price per unit of the hand lawn mowers delivered by a manufacturer is greater than 34% of the net average price per unit of the mowers which he delivered during the corresponding quarter

of 1941, the Administrator may issue an order under this section, denying in whole or in part the manufacturer's authority to sell at prices adjusted by all or part of the increases authorized by this section. The average price at which the manufacturer's products have been sold will be considered in determining how much, if any, of the increases will be granted to such a manufacturer.

SEC. 3. *Manufacturers' reports, catalogs and price lists.* Every manufacturer of hand lawn mowers shall, within 10 days after first offering a model for sale to the trade, file a report with the Office of Price Administration, Washington, D. C., giving the model designation, his ceiling prices to each class of purchaser, and an explanation of the method by which he determined each ceiling price. In addition, every manufacturer shall file, with the District Office of the Office of Price Administration having jurisdiction over the area in which his principal place of business is located, three copies of every catalog, price list, and price notification to the trade, etc., in accordance with the provisions of § 1499.159d of Maximum Price Regulation No. 188.

SEC. 4. *Wholesalers' ceiling prices.* The ceiling price for the sale of a hand lawn mower by a wholesaler who ships from his own stocks shall be the retail selling price of that mower for sales in the zone in which the wholesaler's place of business is located less 27%. This price is for sales in the smallest quantities for which the wholesaler has an established ceiling price. It is subject to his established delivery terms, discounts, conditions of sale, and other price differentials as provided by section 11 of this order. The wholesaler's ceiling prices for sales in other quantities or under terms and conditions of sale other than those which can be determined by applying to the price established by this section the wholesaler's customary differentials for such sales, shall be established by application under the provisions of section 11.

SEC. 5. *Retailers' ceiling prices.* Manufacturers are required to calculate the retail ceiling prices of all hand lawn mowers, according to the rules in this section, and to provide tags showing the retail ceiling price for all mowers except those which they sell to a mail order house.

(a) *Chain stores and mail order houses.* The retail ceiling price for a hand lawn mower sold by a manufacturer to a chain store or a mail order house is 150% of the "manufacturer's price" to the class of chain store or mail order house to which he sells in the largest volume.

(b) *Other retailers.* (1) The retail ceiling price for a hand lawn mower for which a manufacturer has a ceiling price to a wholesaler and which he sells to a wholesaler or to a retailer, other than a chain store or mail order house, is 170% of the "manufacturer's price" to the class of wholesaler to which he sells in the largest dollar volume.

(2) The retail ceiling price for a hand lawn mower which a manufacturer sells to a retailer, other than a chain store or mail order house, and for which the manufacturer does not have a ceiling price to wholesalers, shall be fixed, pursuant to an application by the manufacturer, by an order of OPA under this section. Retail ceiling prices fixed under this section will be in line with the level of retail ceiling prices fixed by this order.

A manufacturer applying under this section shall state his ceiling prices for sales of each mower to each class of purchaser, his "manufacturer's prices" to each class of purchaser and his published retail list prices, if any, during October 1941.

(c) *Zone differentials.* (1) The retail ceiling prices determined in accordance with the foregoing provisions of this section are for retail sales in Zone I. The retail ceiling price in Zone II is the retail ceiling price of the same hand lawn mower for sale in Zone I by the same type of retail seller plus 45¢ per mower.

(2) For the purpose of this section "Zone I" is that area of the following two in which a hand lawn mower is manufactured. The other area is Zone II.

(i) One area consists of the States of Arizona, New Mexico, California, Washington, Oregon, Idaho, Nevada, Colorado, Wyoming, Montana, and Texas.

(ii) The other area consists of all the other States in the United States and the District of Columbia.

(d) *Adjustment.* Retail ceiling prices calculated in accordance with the foregoing provisions may be adjusted to the nearest five cents.

(e) *Alternative retail ceiling prices—(1) Who may apply.* The Office of Price Administration may, upon application by a manufacturer, establish ceiling prices for retail sales other than those determined in accordance with the preceding provisions of this section whenever it appears that:

(i) The article was sold at retail at substantially uniform prices prior to April 1, 1942;

- (ii) The article is identified by a brand or company name;
- (iii) The price requested for the article is no higher than the level of retail ceiling prices fixed by this order.

An order may be issued under this section establishing uniform ceiling prices for all retail sales of an article which shall apply in place of the retail ceiling price that would otherwise have been determined under this section. Except as may be provided by such an order, all other provisions of this order remain in effect.

(2) *What the application must contain.* A manufacturer requesting establishment of uniform ceiling prices under this paragraph (c) must file an application with the Office of Price Administration, Consumer Goods Price Division, Washington 25, D. C. In the application the manufacturer shall state the following:

- (i) His business name and address.
- (ii) A complete identification of the article for which the price is sought including:
 - (a) The name identifying the article and its style or lot numbers.
 - (b) His own ceiling prices to all classes of purchasers.
 - (c) His "manufacturer's prices" and terms to wholesalers and retailers.
 - (d) His suggested retail price prior to April 1, 1942.
 - (e) A list of the names and addresses of his retail and wholesale customers to whom he delivered the article prior to April 1, 1942 in substantial quantities. (Applicant may request OPA to accept a specific part of this list as representative).
- (iii) The uniform retail ceiling price which he requests for the article. Different prices may be proposed for sales in each zone.

Sec. 6. *Tagging.* (a) On and after June 1, 1946 no manufacturer shall ship a hand lawn mower to a purchaser for resale, other than a mail order house, unless he provides a retail price tag or label. That tag or label shall state the properly determined retail ceiling price for sales in each zone or in the zone in which the mower will be sold at retail, the manufacturer's name or the brand name, and the model designation.

(b) On and after November 15, 1945, retailers other than mail order houses, may not display, offer for sale, sell or deliver a hand lawn mower at retail which was shipped by the manufacturer prior to May 1, 1946 unless it bears the tag or label provided by the manufacturer as required by this section, as in effect prior to May 1, 1946.

(c) On and after June 1, 1946, retailers other than mail order houses, may not display, offer for sale, sell, or deliver a hand lawn mower at retail, which is shipped by the manufacturer on or after May 1, 1946 unless it bears the tag or label provided by the manufacturer as required by paragraph (a) of this section.

Sec. 7. *Credit charges on retailers' sales.* Charges for the extension of credit may be added to the retail ceiling prices established by this order or by any order issued under this order unless such order provides otherwise. No such credit charge may exceed that permitted by this section.

(a) Retailers who in March 1942 collected a separately stated additional charge for the extension of credit on sales of hand lawn mowers, may collect a charge for the extension of credit on sales under this order, not exceeding such charge in March 1942 on a similar sale on similar terms to the same class of purchaser. Retailers who did not then so state and collect an additional charge, may collect a charge for the extension of credit only on installment plan sales; and the charge shall not exceed the separately stated additional charge collected for the extension of credit on a similar sale on similar terms to the same class of purchaser in March 1942 by the retailer's closest competitor who made such a separately stated charge.

An installment plan sale as used in the above paragraph means a sale where the unpaid balance is to be paid in installments over a period of either (1) six weeks or more from the date of sale in the case of weekly installments, or (2) eight weeks or more in the case of other than weekly installments.

(b) All charges for the extension of credit shall be quoted and stated separately. Any change which is not quoted and stated separately or which otherwise does not conform to this section, shall for the purpose of this order, be considered to be part of the price charged for the article sold.

(c) No retailer may require as a condition of sale that the purchaser must buy on credit.

Sec. 8. *Compliance with this order—*(a) *No buying or selling at over ceiling prices.* Prices established by this order are ceiling prices. Prices lower than ceiling prices may be charged and collected at any time. However, regardless of any contract or other obligation, no person shall sell, offer to sell, or deliver, and in the course of trade or business, no person shall purchase or accept delivery of any

hand lawn mower at a price higher than the ceiling price fixed by this order or before the manufacturer has properly determined his ceiling price under this order.

If, in violation of this provision, a sale, offer to sell, or delivery of any hand lawn mower is made before its ceiling price has been properly established in accordance with this order, the ceiling price applicable to the sale, offer to sell or delivery shall be the correct ceiling price for the hand lawn mower properly determined in accordance with this order.

(b) *Certain practices forbidden.* It shall be a violation of this order to charge a price above the applicable ceiling price in connection with any sale of a hand lawn mower, either alone or in conjunction with any other consideration even though the price increase appears only indirectly.

The following is illustrative of the things a seller is not permitted to do: A seller is not permitted to require the purchaser, as a condition of the sale or transfer of a hand lawn mower, to make payment over a period of time; to require him to finance the purchaser through a particular lending agency; to require him to purchase any equipment, accessories, repairs, parts or services so as to increase the total compensation above the article's ceiling price; to require him to purchase any other commodity or service; or to make payment in whole or in part by exchanging, transferring, or trading in any other hand lawn mower, product or commodity. Where there is an exchange, transfer or trade-in in connection with a sale, it is a violation for the seller to give the purchaser an allowance for the hand lawn mower product or commodity exchanged, transferred or traded in, which is less than its reasonable value.

SEC. 9. *Notification.* At the time of, or prior to the first invoice to a purchaser for resale of hand lawn mowers covered by this order, each manufacturer and wholesaler shall notify the purchaser of states and reseller's ceiling prices in each zone. These notices may be given in any convenient form.

SEC. 10. *Revocation of certain ceiling prices.* Regardless of any provisions of the General Maximum Price Regulation, Supplementary Orders 118, 133 and 148, and Revised Supplementary Order 119, Maximum Price Regulation No. 188, or any approved or order obtained or issued thereunder by the Office of Price Administration, except Order No. 4332 under Maximum Price Regulation No. 188, all ceiling prices heretofore or hereafter established by any seller under those regulations or orders do not apply to any sales or deliveries made after May 1, 1946, except those manufacturers' ceiling prices continued in effect by section 3 of this order.

This section does not affect ceiling prices established under this order prior to its revision effective May 1, 1946.

SEC. 11. *General provisions—(a) Delivery, terms, conditions of sale.* (1) The ceiling prices established by this order are subject to each seller's delivery terms, discounts, quantity differentials, conditions of sale and other price differentials in effect during March 1942 or thereafter properly established under OPA regulations.

The ceiling prices established by this order are subject to each seller's delivery terms, discounts, quantity differentials, conditions of sale and other price differentials in effect during March 1942 or thereafter properly established under OPA regulations.

In the case of a wholesaler or retailer who did not sell hand lawn mowers during March 1942, or whose delivery terms, discounts, quantity differentials, conditions of sale, and other price differentials have not been established under OPA regulation, the ceiling prices fixed by this order for his sales are subject to the same delivery terms, discounts, quantity differentials, conditions of sale, and other price differentials which his closest competitor who did sell hand lawn mowers during March 1942, is required to allow under the provisions of this order. If a wholesaler or retailer cannot ascertain the delivery terms, discounts, quantity differentials, condition of sale, and other price differentials which his nearest competitor is required to allow, he shall apply to the nearest District Office of the Office of Price Administration having jurisdiction over the area in which his principal place of business is located, for an order under this section establishing the conditions to which his ceiling prices are subject. Such application may be by letter and shall state the type of business he is operating (wholesale, retail, etc.), when he started to sell hand lawn mowers, the hand lawn mower he desires to sell and the classes of purchasers to which he sells. An order will be issued under this section establishing terms, discounts, quantity differentials, conditions of sale, and other price differentials in-line with such conditions of sale, etc., generally fixed by this order.

If a wholesaler or retailer who did not sell hand lawn mowers during March 1942, does not allow the same delivery terms, discounts, quantity differentials, conditions of sale, and other price differentials allowed by his nearest competitor who did sell hand lawn mowers during March 1942, or does not file an application in accordance with the provisions of this section, or if he fails to provide the information required by this section, the Price Administrator may on his own motion, issue orders under this section fixing delivery terms, discounts, quantity differentials, conditions of sale, and other price differentials in-line with such conditions of sale generally fixed by this order. Conditions of sale so established will apply to all sales and deliveries made on and after May 1, 1946.

(b) *Resellers' ceiling prices not determined under other provisions of this order.* A wholesaler or retailer who cannot determine his ceiling prices under any of the preceding provisions of this order shall apply to the District Office of Price Administration having jurisdiction over the area in which his principal place of business is located, for an order under this section establishing his ceiling prices for his sales. Ceiling prices will be established in-line with the level of ceiling prices fixed by this order. The application filed under this provision shall give the information called for by paragraph (a) above in the case of an application for the establishment of terms, discounts, and other conditions of sale.

(c) *Definitions.* Unless the context requires otherwise, the definitions contained in § 1499.20 of the General Maximum Price Regulation and § 1499.163 of Maximum Price Regulation No. 188, whichever is applicable, shall apply to all terms used herein.

(d) *Relationship of this order to the General Maximum Price Regulation and Maximum Price Regulation No. 188.* The provisions of this order supersede the provisions of the General Maximum Price Regulations and Maximum Price Regulation No. 188, with respect to sales and deliveries for which ceiling prices are established by this order, only to the extent that they are inconsistent with the provisions of those regulations.

SEC. 12. *Delegation of authority.* Any Regional Administrator or District Administrator authorized by the appropriate Regional Administrator may issue orders under paragraphs (a) and (b) of section 11 of this order.

SEC. 13. *Modification of the provisions of this order.* The provisions of this order, as applicable to articles or persons subject thereto, may be modified by orders of general applicability issued under this section.

NOTE: All reporting requirements of this order have been approved by the Bureau of the Budget in accordance with the Federal Reports Act of 1942.

This order shall become effective on the 1st day of May 1946.

Issued this 1st day of May 1946.

PAUL A. PORTER, *Administrator.*

OPINION ACCOMPANYING REVISED ORDER NO. 3 UNDER § 1499.159e OF MAXIMUM PRICE REGULATION NO. 188

The accompanying revision of Order No. 3 under Section 1499.159e of Maximum Price Regulation No. 188, authorizes a larger increase factor for manufacturers of hand lawn mowers. Corresponding adjustments in resellers' ceiling prices are also provided for.

Order No. 3 was issued on October 10, 1945. It authorized manufacturers to compute new ceiling prices which would reflect an increase of 17 percent over their highest prices in effect between October 1 and October 15, 1941 for sales to each class of purchaser. On the basis of the considerations set forth in the opinion accompanying the original issuance of the order, methods were also provided for the calculation of resellers' ceiling prices. As explained in that opinion, resellers absorbed the increases which had been granted to the manufacturers and the resulting level of retail ceiling prices was in line with the level of such prices prevailing during March 1942.

Since the issuance of Order No. 3 manufacturers have experienced further increases in costs due to increased material prices and increases in wages which have been put into effect in accordance with the new wage price policy.

Paragraph 2 (c) of Executive Order No. 9697 requires the Price Administrator to "develop standards of adjustment consistent with the purposes of this order to be applied in the case of an industry-wide action affecting an industry operating at temporary low volume." The reconversion pricing formula had previously been put into effect for calculating adjusted ceiling prices for industries which are operating at temporary low volume. In accordance with

the provisions of Paragraph 2 (c) of Executive Order No. 9697, the Administrator had determined that the reconversion pricing formula constitutes a standard for adjustment consistent with the purposes of the Executive Order. In order to prevent hardship that might impede reconversion, the Administrator has, in applying that standard, made allowances for all legal changes in the level of material prices and in average hourly earnings experienced by the industry.

At the request of the manufacturers this Office has completed a new survey to determine the additional increases in material and wage costs which might be taken into consideration in reapplying the reconversion formula. The increase factor authorized by the accompanying revision of Order No. 3 reflects all the legal increases since October of 1941 in the levels of material prices, including those subsequent to November 27, 1945, as well as an allowance for such legal increases as are anticipated in the near future. All approved increases in straight time hourly earnings, including those approved under Executive Order No. 9697 issued on February 14, 1946, are also allowed for.

At the time of the original issuance of Order 3 it was explained that average increases in material prices experienced by the industry had been 16.04 percent. The average increase in material prices, including allowances for those which are anticipated in the near future, upon which the new increase factor has been recomputed is 31.8 percent. The original increase factor was based on an increase in average hourly earnings of production workers of 30 percent, whereas the new increase factor is based on average hourly earnings which are above the level of October 1941 by 33 percent. On the basis of these increased cost factors the application of the reconversion formula has resulted in a price increase factor of 28 percent. This factor is applicable to manufacturers' prices in effect between October 1 and October 15, 1941.

Since the issuance of Order No. 3 in October 1945, some manufacturers have determined ceiling prices for new models of hand lawn mowers under the applicable pricing provisions of Maximum Price Regulation No. 188. These prices have reflected the 17 percent increase previously authorized. Accordingly, the revised order provides a separate increase factor to be applied to those prices, resulting in a level of prices in line with October 1 to 15, 1941, prices, increased by 28 percent.

The policy of the Office in regard to resellers' ceiling prices when an industry-wide increase has been authorized at the manufacturing level has become well defined. When the product is one which is of major importance in the operations of the distributive levels, absorption of manufacturers' increases is not required in any amount which would result in margins less than those which the respective distributive levels generally realized in a normal peacetime period. When, however, the product is one of generally minor significance to the distributive levels handling it, absorption is required to the full extent necessary so long as the resulting prices do not leave distributors with margins which are less than their average expense ratios. Hand lawn mowers fall into the latter category since they are in general but minor items in the operations of the distributive trades through which the major portion of the industry's production is distributed.

Accordingly, the prices computed under the provisions of Order 3 as originally issued, generally effected complete absorption of the manufacturer's increases. On the basis of the information which was available it appeared that the distributive levels had the capacity to absorb further increases in manufacturer's prices without violating the principles set forth above.

A number of factors, however, had led the Administrator to the conclusion that further absorption should not be required. It appears that the expense ratios of certain types of distributors which handle hand lawn mowers are lower than the margins allowed by the revised order. Although costs records are not complete in sufficient detail to indicate the costs of handling hand lawn mowers as distinguished from those of handling other items, there is reason to believe that they are somewhat higher than the average costs of handling the other products which these distributive trades handle. Lawn mowers are extremely heavy items in relation to their prices, with consequent higher handling costs. The fact that they are for a large part a seasonable item also results in generally higher costs. Accordingly, the provisions of the revised order provide that in calculating resellers' prices the same markups as provided in the original order, shall be used.

It appears that in some cases manufacturers may not increase their prices to the full extent permitted by the order. Accordingly that there may be no increases in prices to consumers beyond those required by increases in manufacturers' selling prices the order provides that resellers' ceiling prices are to be

calculated on the basis of the manufacturer's actual selling price to the designated class of purchaser when that selling price is lower than his f. o. b. factory ceiling price to the same class of purchaser. The price which is used as the basis for calculating reseller's ceiling prices is designated "manufacturer's price" and is defined in Section 1 of the order.

Order No. 3, as originally issued, provided for uniform resellers' ceiling prices for sales in all parts of the country. At the request of the industry a study of freight costs was part of the survey. On the basis of the information which was gathered, provision has been made in the accompanying revised order for higher resellers' ceiling prices in certain States which are designated as Zone 2. The areas included in Zones 1 and 2 vary depending upon the location of the manufacturer. It appears that it is a general practice in the industry for manufacturers to prepay freight up to 60 cents per hundredweight. This, however, does not appear to cover the full freight costs of many purchasers located in the eastern, central, and southern states even when they purchase from manufacturers located in eastern and central states. The additional freight charges which purchasers in the extreme western part of the country are required to pay are considerably higher. The differentials allowed for sales in Zone 2 appear on the average to allow resellers located in Zone 2 to recover the additional freight costs which are in excess of those which eastern purchasers of the same class are required to pay.

Manufacturers are authorized to charge the increased prices computed under the revised order for all mowers which they ship on and after the effective date. Resellers' ceiling prices for such mowers are also to be computed under the provisions of the revised order. However, resellers' ceiling prices for mowers which the manufacturer shipped prior to the effective date of the revised order are not increased because of the revision and remain as determined under Order 3 as originally issued. In order that manufacturers may have sufficient time to procure tags they are not required to provide tags showing the new retail ceiling prices before June 1, 1946. The revised order also has more detailed provisions requiring resellers to maintain their established terms, discounts and other conditions of sale. It also embodies provisions under which new sellers can apply for orders establishing the general terms and conditions of sale to which their ceiling prices are subject. The provision that any part of the increase authorized in manufacturers' prices may be denied to a manufacturer who eliminates his lower priced articles is continued in effect.

The Administrator has advised and consulted with representatives of the industry and has given consideration to their recommendations.

All provisions of the revised order and its effect upon business practices, cost practices or methods or means or aids to distribution in the industry have been carefully considered. No provisions which might have the effect of requiring a change in such practices, means, aids or methods established in the industry have been included in the order unless such provisions have been determined to be necessary to achieve effective price control and to prevent circumvention or evasion of the order or of the price control act to the extent that the provisions of the revised order compel or operate to compel changes in business practices, cost practices or methods or means or aids to distribution established in the industry. Such provisions are necessary to prevent evasion or circumvention of the order or of the Emergency Price Control Act of 1942, as amended.

Issued this 1st day of May 1946.

PAUL A. PORTER, *Administrator.*

Mr. SELLS. Thank you, sir.

Mr. SEIDEL. May I just say this: That we brought lawn mowers to the attention of OPA last November. You cannot start to produce lawn mowers on the 1st of May and have lawn mowers in the consumers' hands in time to get their lawns cut in the summertime. We brought these things to the attention of OPA and the house committee in November. The industry advisory committee of the lawn mower industry represents people that produce 85 percent of the lawn mowers, and it is a very easy industry to get together because half of all the lawn mowers are made in the State of Indiana. I think well over half, right in the city of Richmond, although they have other big plants in Muncie and some of the other Indiana towns.

Now, the OPA knew full well last November all that they knew yesterday about the pricing of lawn mowers. These letters which I

have put into the record from the manufacturer do not say anything about labor or material problems. They indicate that it was purely a pricing problem. If there was a labor and material problem the fly-by-night manufacturer that is now making the mowers and selling them for 30 or 40 percent more than this man's mower would not be able to make them either.

Senator MITCHELL. You are not a manufacturer?

Mr. SEIDEL. No, sir; I represent the National Retail Dry Goods Association. I myself am with W. T. Grant Co.

Senator MITCHELL. Is there any manufacturer of lawn mowers coming here to testify as to why he cannot make these lawn mowers?

The CHAIRMAN. I don't think so.

Senator MITCHELL. Would it not be better to have a manufacturer of these lawn mowers here instead of somebody that buys them? I am not discounting your testimony, but it is second-hand testimony at best.

Senator CAPEHART. I will be very happy to have them all in here Monday.

Mr. SEIDEL. You see, Senator, we buy lawn mowers; we ship lawn mowers to market. We know where we can buy lawn mowers, and where we cannot buy them. I know we can buy a \$12 lawn mower for \$17. I know where we can buy a \$9.19 lawn mower for \$15. We can buy plenty of them and bring them right down here, but if we did we would have to sell them for about \$25.

The CHAIRMAN. You would, unless OPA prevented you.

Mr. SEIDEL. They don't prevent us. They give "in line" prices to the manufacturer and to us.

Senator BARKLEY. My point is that the manufacturer is the best witness to testify he cannot make a lawn mower at a profit.

Mr. SEIDEL. Except you won't get a manufacturer to come in and say that he is getting too much money for his product.

Senator MITCHELL. You are putting in letters here saying they cannot make them, and I would like to have one of those fellows appear before the committee.

Senator CAPEHART. I will be very happy to bring them in at any time.

Mr. SELLS. May I make one comment?

The CHAIRMAN. Yes.

Mr. SELLS. I would like to point out, with reference to letters written by manufacturers to their customers, the witness having testified that he wanted the committee to know that such letters had been sent out, no application had been made to OPA for any change in the prices.

Senator CARVILLE. Do you have any letters sent in to the OPA about this situation?

Mr. SELLS. You mean, letters written by manufacturers to their customers?

Senator CARVILLE. No; to the OPA.

Mr. HEILMANN. I do not believe there were letters. It was an industry advisory committee meeting.

Senator BARKLEY. How did you learn that manufacturers were writing these letters to their customers unless some of the letters were filed with you?

Mr. HEILMANN. Through purchasers, and also congressional mail.

Senator BARKLEY. You do get congressional mail, do you?

Mr. HEILMANN. Yes, sir.

The CHAIRMAN. Proceed, Mr. Seidel.

Mr. SEIDEL. Let me cite the case of the Climax Hosiery Mill of Athens, Ga. I cite that one case because it clearly indicates the problem that faces practically all industry today.

This manufacturer had no dealings with OPA throughout the wartime period. The Army took over all of his production. In August of last year, when his wartime contracts were cut back, he read over the various pricing regulations. He believed every word of them, and he felt that they meant that he could file an application with the Office of Price Administration and receive a fair price for his product. He did exactly what we would like all industry to do. He reconverted immediately and turned all of his machines to producing the identical number that he manufactured prewar. This was 240-needle, mercerized, split-foot hose, a very desirable quality hose that had not been available to any merchant for 3 years.

In the course of 60 days he had produced approximately 20,000 dozens and, having heard nothing from OPA, decided to visit their regional office. There he found, much to his surprise, that there was no possible way of obtaining price relief; that he would have to produce hosiery at the 1942 price of \$2.27½ a dozen. The fact that his current production cost him \$2.47 made no difference at all. OPA was not even mildly interested in his current costs or in his problem. Because he had operated at a profit during the war, they felt that he could now afford to sacrifice some of it by producing at a loss.

He solicited our aid in New York. We shopped the leading stores in an attempt to determine the prices that were being charged for similar hose. We purchased all the hosiery that you see displayed on these charts. We then obtained the OPA cost and the number of selling prices on each pair. Then we sent each pair of hose to the Hatch Textile Laboratory and asked that they make construction as well as abrasion tests of each pair.

The Hatch Laboratory reported that the hosiery of this Georgia mill was the best of all that you see displayed here. Notwithstanding that fact, OPA refused to give the manufacturer a price of 22½ cents.

The second best pair of hose has an approved price of 55 cents; the third best pair a price of 50 cents; the next one 75 cents; this one [indicating] an approved price of 42 cents, and so on.

Senator BANKHEAD. What is your point here?

Mr. SEIDEL. They refused to give the manufacturer of the best pair of hose a price of 22½ cents, whereas they gave prices much higher than that to people that produced inferior hose, without even testing.

The abrasion test is very striking. That consists of a test in a testing machine that simulates the wear on a pair of hose. It took 27,000 rubs to put a hole into the Athens, Ga., hose. The next best pair was 15,000, and the rest of them run all the way from 4,000 to 8,000.

Senator MILLIKIN. Who did the testing?

Mr. SEIDEL. The Hatch Research Laboratory.

Senator MILLIKIN. Is that a well-known research outfit?

Mr. SEIDEL. Yes, sir; and they have their seal on every pair tested.

Senator MILLIKIN. Are they controlled by any group of manufacturers?

Mr. SEIDEL. No, sir. It is purely independent, and is used very widely by industry.

Senator MILLIKIN. They are people of high repute in the industry?

Mr. SEIDEL. Yes, sir. I think everybody would agree that the Hatch outfit is entirely reputable.

After we had these tests made we contacted OPA in New York. Mind you, now, this manufacturer has 20,000 dozen hose and has no way of selling them except to sell them at his 1942 price. We offered to pay the higher costs for these hose and agreed to sell them at the prewar price of 29 cents a pair. But OPA said, no, that could not be permitted; that would be a triple-damage violation. We could not pay them over the ceiling price, and if we did, we would be sued for triple damages.

His only out—and we got this straight from OPA in New York—was to produce a new number and apply for a higher price. We have no regulation permitting you to go up in price on the same number.

Then we called Washington and got the same answer directly from the head of OPA's Hosiery Pricing Section, and that answer was, "Mix a little nylon in the heels and toes, call it a new number, and then send in an application and we will give you a price."

Senator MILLIKIN. Who said that?

Mr. SEIDEL. Mr. Boner, the head of OPA Hosiery Pricing Section—B-o-n-e-r.

Senator BARKLEY. You do not accuse him of being responsible for his name, do you?

Mr. SEIDEL. No; I wanted to be sure that the committee understood the name.

Then we called the Deputy Administrator for Price, and we could not get him; so we got his chief counsel, and he said, "Leave this problem with me for a couple of days. Certainly there is a way out. Two days later he said, "There is only one answer I can give you. Have this manufacturer file an affidavit certifying that he has changed the character of his business, and maybe then we can give him relief under another provision"—which of course he could not do, because he has not changed the character of his business.

Senator MILLIKIN. Was there any difference of opinion as to costs?

Mr. SEIDEL. I do not think so; no, sir. They did not go into the matter of investigating his costs, because there was no regulation that they could give him relief on, regardless of cost.

That story got quite a little publicity. One of the magazines picked it up because it was used before the House committee.

The manufacturer came to Washington approximately 30 to 45 days ago, and because of the fact that his case had had wide publicity and because it was damaging to OPA, the head of the OPA Hosiery Section then told him that there would be a Third World War before he got anything out of OPA; and it was not until we told the story to the House committee that they decided to grant relief to this Athens, Ga., manufacturer.

Again, I think if you will ask OPA you will find they are granting him an increase as of yesterday—just like in the case of the lawn mowers.

Senator MILLIKIN. Is that correct?

Mr. SELLS. Senator, I believe that Mr. Seidel's testimony on this case is such that I cannot agree with the recitation of the events.

With regard to the specific question, we have not yet issued a price to the Climax Mill. I am prepared to explain the case if you wish to have me do so.

Senator MILLIKIN. I would like to have a brief explanation of it.

Mr. SEIDEL. May I correct that by saying that the order issued yesterday is going to cover that mill and others like it.

Mr. SELLS. That is one of the important points. We are not in position, and I doubt whether we could hire enough people if Congress gave us an unlimited budget, to conduct our pricing on the basis of tailoring every case to the needs of every manufacturer.

Senator MILLIKIN. That chart indicates that there are five different kinds of socks and each one has got a special price.

Mr. SELLS. No, sir. They did not receive a special price. All of these items are priced under the general maximum price regulation with the March 1942 prices.

The problem that the Climax Mill represents is one of cost increases since the base period which make it unprofitable to produce an individual item, although there is still a large quantity of hose produced which are being produced profitably.

Senator MILLIKIN. Is the kind of goods that they are producing desirable in the market?

Mr. SELLS. Yes, sir.

Senator MILLIKIN. Why do you not help them to get the product onto the market?

Mr. SELLS. That is what I am coming to, Senator.

When this case was brought to our attention our problem was to devise a method of adjustment which would make it possible to adjust every other case of a similar type. In the meanwhile we have Supplemental Order 133 which would have permitted them to break even, pending the completion of the work—

Senator MILLIKIN (interposing). How much time has elapsed between the time this case first came to your attention and the present time?

Mr. SEIDEL. I can answer. Last August.

Mr. SELLS. It first came to my attention about 2 months ago, Senator.

Senator MILLIKIN. It has been 8 months.

Mr. SELLS. It first came to my attention about 2 months ago.

Senator MILLIKIN. What makes you say it was August?

Mr. SEIDEL. August was when he filed his application through Atlanta, Ga. He applied to the regional office and he failed to hear from them in October, and all this conversation with Washington and New York was long before the first of the year.

Senator MILLIKIN. So for 8 months a desirable quality of merchandise has been held off the market because the manufacturer could not get information?

Mr. SELLS. He was able to apply for a break-even adjustment at any time during that period, but he refused to do so. In the meantime we were deciding whether it would take care of every manufacturer of cotton hosiery.

Senator MILLIKIN. He could have applied for an order which would have permitted him to sell socks at no profit?

Mr. SELLS. For a very brief period. We cannot just figure out how much every individual needs, just because he comes in and gives a statement.

Senator MILLIKIN. How could you expect a manufacturer to put out goods on a break-even basis?

Mr. SELLS. Many of these manufacturers have been perfectly willing to do that, because many of them, in converting from wartime production to peacetime production, have been running on a very low volume with a very high overhead and were perfectly willing to have a break-even adjustment until they got into normal production.

Senator MILLIKIN. But you would not lay that down as a general rule of business, would you?

Mr. SELLS. No, sir; and I do not intend to; but I think a temporary expedient of that kind is highly desirable.

We have worked out an order which applies to all manufacturers of hosiery and knit underwear which will permit them to compute the increase in their labor and material costs since the base period and to add those to the March 1942 prices and compute the adjusted price, which gives them a full reflection of their cost increases since the base period.

There are a number of technical problems involved. You have cotton yarns, rayon yarns, wool yarns, and blended yarns. I will not go into a recitation of the difficulties; but I think it is proper to point out that the Climax Mill refused to apply for this break-even adjustment; and we have been working on a general order which would take care of their case and all similar cases during that intervening period.

Senator MILLIKIN. But the end point is, whatever the regulatory reason that this product has not been on the market—and it is a needed product and a very highly desirable product—that it came to the boil stage last August and it has not been lanced yet, unless it has been within the last day or two.

Mr. SELLS. There are many manufacturers that come in with their problems in such a way that we can deal with them directly. If a manufacturer takes a question up with the office in Atlanta and gets an answer and takes no further action on it, then the office here is unable to act on it. We receive communications from the offices in the field telling us the problems that come into them—

Senator MILLIKIN (interposing). You say that a manufacturer may go on a break-even basis, and if he wants to do that no one will deny him the opportunity; but if that is the best that can be done you cannot consider yourselves as an agency of a dynamic nature intended to encourage production.

Senator BARKLEY. Do you mean that in this case the manufacturer preferred to remain on a losing basis rather than to go temporarily on a break-even basis while you were working out a general order?

Mr. SELLS. Yes, sir.

Senator MILLIKIN. That is exactly what you are saying to American business, "Break even or lose;" and it has lost.

Mr. SELLS. There are only two major items that are remaining under the general price regulation, hosiery and underwear. We have developed cost-plus formulas for almost every other major segment; so this kind of a problem does not arise generally. We have not succeeded in working out as yet an adequate regulation for the knit-goods industry, but we have made four or five important adjustments of a general nature, and this is one that is now in process of being issued. So I do not think that we can say that we have either required anyone to continue operating at a loss or that we have neg-

lected the problems of this industry. As a matter of fact, the earnings of the industry generally have been favorable. There have been scattered pricing problems and individual items to which we have been directing our attention.

Senator MILLIKIN. That is a repetition of the basic fallacy of the whole administration of the OPA law, to wit, that you can run a business on national statistics. You cannot operate a business on national statistics.

Mr. SELLS. We are not running it on national statistics; we are running it on the statistics of its own operation.

Senator MILLIKIN. But that poses exactly the problem which the witness has posed, and it has not been solved.

Mr. SELLS. I think the action we have now taken will solve it.

Senator MILLIKIN. Will that be issued as a general order?

Mr. SELLS. Yes, sir.

Senator MILLIKIN. When do you think it will commence to work with regard to this particular mill?

Mr. SELLS. I cannot tell you the exact date of issuance. It will be probably in the next 24 or 48 hours. It has been cleared and is going through.

Senator MILLIKIN. Is it your understanding, Mr. Seidel, that this general order that is coming will relieve the trouble of that particular mill?

Mr. SEIDEL. I think it will. I think it will give him less than his prewar earnings, but I think it will put him into the production of hosiery.

Mr. SELLS. May I point out one other important fact, and that is that it was not until the fall of 1945 that the heavy impact of wage increases hit the textile industry, and it was not until the latter part of 1945 and the first part of this year that the yarn increases were authorized. The great yarn increases came in March. So that we really did not have a general problem until very recently, although the problem in this thing was a special one because of some technological improvements made in their particular products.

Senator MILLIKIN. I think it was very frankly admitted here that your internal administration has been on the lethargic side rather than on the side of promptness. I believe that Mr. Baker made a very frank and, to me, encouraging admission that you had been very slow in getting out these individual cases.

Mr. SELLS. But not lethargic.

Senator MILLIKIN. If you see a turtle moving along, I think you can say he is lethargic, and I think you can say he is slow.

Mr. SELLS. My position is that I have, as an administrative officer, to consider a number of cases that are pending at any given time; and if we get one case out in reasonably good time there may be two others waiting while that is being completed.

Senator MITCHELL. This exhibit on socks indicates that the company was making at least nine styles of men's socks right along. The controversy is on only one kind.

Mr. SEIDEL. Oh, no. These are all made by different manufacturers. This hose [indicating] is made by the Climax Co. in Athens, Ga. This [indicating] is made by another company, and these [indicating] are made by other companies, Senator. I am exhibiting these to show the disparity in pricing. Here is a company that can charge 29 cents

for hose, not as good as these, and this one [indicating] cannot charge 22½ cents for them.

Mr. SELLS. I am interested in one point, and that is that if you look at the retail prices of the various stockings all the way down you find that the lowest one is the one to which he is referring. I believe that there must be some very good reasons why a sock of superior quality was priced so much lower than the others in the base period.

Mr. SEIDEL. You are looking at the cost price. There is no retail price on that.

I would like to go ahead, because I am afraid that all my time will be used up by the OPA and I will not get to say what I want to say here.

Senator MILLIKIN. I am personally responsible, because I like to get information from both sides as I go along. I am sorry to have taken up so much of your time.

Senator McFARLAND. I would like to ask the witness if we are entitled to assume that these exhibits will be left here.

Mr. SEIDEL. I think if the Climax Hosiery Co. did get a pricing order they would be glad to send anybody in Congress some socks.

I would like to show an example or two to demonstrate OPA's in-line pricing theory—the theory of giving a man a price in line with somebody else's price. It is that practice that results in a great deal of inferior goods getting on our markets.

I would like to start by showing you a very flimsy bowl-type heater on which OPA issued an in-line price of \$3.65.

In order that there may be no question at all about the authenticity of this price, I would like to have incorporated in the record a photostatic copy of the Federal Register order, signed by Chester Bowles, so that nobody will question but what this is a legitimate purchase at \$3.65. The order is order No. 4327 to the Sun-Ray Appliance Co.

(The copy of the Federal Register order, referred to and submitted by the witness, is as follows:)

[MPR 188, Order 4327]

SUN-RAY APPLIANCE CO.

APPROVAL OF MAXIMUM PRICES

For the reasons set forth in an opinion issued simultaneously herewith and filed with the Division of the Federal Register, and pursuant to § 1499.158 of Maximum Price Regulation No. 188; *It is ordered:*

(a) This order establishes maximum prices for sales and deliveries of certain articles manufactured by the Sun-Ray Appliance Company, 277 Broadway, New York 7, N. Y.

(1) For all sales and deliveries to the following classes of purchasers by the sellers indicated below, the maximum prices are those set forth below:

Article	Model	Maximum prices for sales by any seller to—			
		Wholesalers (jobbers)	Retailers (6 units or more)	Retailers (less than 6 units)	Consumers
Single burner hot plate, aluminum, 1 heat, cord and plug.	None.....	Each \$1.97	Each \$2.33	Each \$2.51	Each \$3.75
Electric space heater, black crackle finish, cord and plug.	100 watt.....	3.09	3.65	3.93	5.90

These maximum prices are for the articles described in the manufacturer's applications dated July 24, 1945, and August 8, 1945. They include the Federal Excise Tax.

(2) For sales by the manufacturer, the maximum prices apply to all sales and deliveries since Maximum Price Regulation No. 188 became applicable to those sales and deliveries. These prices are f. o. b. factory and are subject to a cash discount of 2% for payment within 10 days, net 30 days.

(3) For sales by persons other than the manufacturer, the maximum prices apply to all sales and deliveries after the effective date of this order. Those prices are subject to each seller's customary terms and conditions of sale on sales of similar articles.

(4) If the manufacturer wishes to make sales and deliveries to any other class of purchaser or on other terms and conditions of sale, he must apply to the Office of Price Administration, Washington, D. C., under the Fourth Pricing Method, § 1499.158 of Maximum Price Regulation No. 188, for the establishment of maximum prices for those sales, and no sales or deliveries may be made until maximum prices have been authorized by the Office of Price Administration.

(b) The manufacturer shall attach a tag or label to every article for which a maximum price for sales to consumers is established by this order. That tag or label shall contain either of the following statements with the correct order number, model number, and retail ceiling price filled in:

Order No. 4327
Model No. -----
OPA Retail Ceiling Price—\$-----
Federal Excise Tax Included
Do Not Detach or Obliterate

or

Sun-Ray Appliance Company
277 Broadway
New York 7, New York
Model No. -----
OPA Retail Ceiling Price—\$-----
Federal Excise Tax Included
Do Not Detach or Obliterate

(c) At the time of, or prior to, the first invoice to each purchaser for resale, the seller shall notify the purchaser in writing of the maximum prices and conditions established by this order for sales by the purchaser. This notice may be given in any convenient form.

(d) This order may be revoked or amended by the Price Administrator at any time.

(e) This order shall become effective on the 28th day of August 1945.

Issued this 27th day of August 1945.

CHESTER BOWLES, *Administrator.*

[P. R. Doc. 45-16012; Filed Aug. 27, 1945; 4:46 p. m.]

Mr. SEIDEL. At the time this heater was priced at \$3.65 the General Electric Co. was held to \$3.68 on its product. When we first brought this down it was \$3.68, and that price held until the 2d of January this year. After we showed this comparison down here, then OPA issued an order to General Electric raising the price on its heater to \$4.92; but not until we showed it down here. And at that time OPA's department head said that he would have to examine these heaters to see if this one was not better than that one [indicating]; he would have to go into an examination of the two.

Senator BARKLEY. Would not anybody have to examine them in order to tell which was the better of the two?

Mr. SEIDEL. I do not think you would have to examine these two [indicating] to know that something produced by General Electric was better than this one [indicating].

Senator BARKLEY. That might be true of those particular things, but would they not have to examine different types in order to determine that?

Mr. SEIDEL. I do not believe there is anybody in OPA, if they did examine them, could tell the quality of the GE product from this one.

Senator CAPEHART. That is the fallacy of OPA. They have got an almost impossible task.

Mr. SELLS. May I ask the witness a question?

Mr. SEIDEL. Let me finish the whole thing, and maybe I will cover your question.

On January 2 of this year OPA gave a price of \$4.92, and at that time the consumer's price of this heater was raised to \$7.95. This [indicating] is also the General Electric price. By raising the price of this one [indicating] to \$4.92—a good bowl heater—it puts it out of line with this price [indicating], which is \$5.66. The price to consumers of the large heater is \$8.59. The price to consumers of this heater [indicating] is \$7.95. If you would offer one of the two, everybody would buy this one [indicating]. The in-line price theory is just creating differences between lines.

Senator BARKLEY. What is the price of this tall one [indicating]?

Mr. SEIDEL. It is \$5.66. The General Electric Co. cannot produce this heater for \$5.66.

Senator BARKLEY. What is the retail price of it?

Mr. SEIDEL. It is \$8.59.

Senator BARKLEY. So there is a \$3 difference there?

Mr. SEIDEL. There is 64 cents difference. The price is \$7.95—

Senator MILLIKIN (interposing). Is that sold through jobbers and distributors?

Mr. SEIDEL. It is. It clears through them or is sold directly, depending upon who buys it.

At the same time the General Electric was held to this price of \$5.66, this company [indicating] was given a price of \$9.69 for an inferior product. And so that there will be no question about the legitimacy of that man's price I will put Mr. Bowles' order into the record. It is order No. 4345, issued to the Jamaica Machine Co., which makes this article [indicating].

(The order referred to and submitted by the witness is as follows:)

[MPR 188, Order 4345]

JAMAICA MACHINE CO.

APPROVAL OF MAXIMUM PRICES

For the reasons set forth in an opinion issued simultaneously herewith and filed with the Division of the Federal Register, and pursuant to § 1499.158 of Maximum Price Regulation No. 188; *It is ordered:*

(a) This order establishes maximum prices for sales and deliveries of certain articles manufactured by the Jamaica Machine Company, 899 Boylston Avenue, Boston 15, Mass.

(1) For all sales and deliveries to the following classes of purchasers by the sellers indicated below, the maximum prices are those set forth below:

Article	Model	Maximum prices for sales by any seller to—			
		Wholesaler (jobber)	Retailer (6 units or more)	Retailer (less than 6 units)	Consumer
Electric heater	Aratherm	Each \$7.92	Each \$9.69	Each \$10.44	Each \$15.67

These maximum prices are for the article described in the manufacturer's application dated July 18, 1945. They include the Federal Excise Tax.

(2) For sales by the manufacturer, the maximum prices apply to all sales and deliveries since Maximum Price Regulation No. 188 became applicable to those sales and deliveries. These prices are f. o. b. factory and are subject to a cash discount of 2% for payment within 10 days, net 30 days.

(3) For sales by persons other than the manufacturer, the maximum prices apply to all sales and deliveries after the effective date of this order. Those prices are subject to each seller's customary terms and conditions of sale on sales of similar articles.

(4) If the manufacturer wishes to make sales and deliveries to any other class of purchaser or on other terms and conditions of sale, he must apply to the Office of Price Administration, Washington, D. C., under the Fourth Pricing Method, § 1499.158 of Maximum Price Regulation No. 188, for the establishment of maximum prices for those sales, and no sales or deliveries may be made until maximum prices have been authorized by the Office of Price Administrator.

(b) The manufacturer shall attach a tag or label to every article for which a maximum price for sales to consumers is established by this order. That tag or label shall contain either of the following statements with the correct order number filled in:

Order No. 4345
Model No. Aratherm
OPA Retail Ceiling Price—\$15.67
Federal Excise Tax Included
Do Not Detach or Obliterate

or

Jamaica Machine Company
899 Boylston Avenue
Boston 15, Massachusetts
Model No. Aratherm
OPA Retail Ceiling Price—\$15.67
Federal Excise Tax Included
Do Not Detach or Obliterate

(c) At the time of, or prior to, the first invoice to each purchaser for resale, the seller shall notify the purchaser in writing of the maximum prices and conditions established by this order for sales by the purchaser. This notice may be given in any convenient form.

(d) This order may be revoked or amended by the Price Administrator at any time.

(e) This order shall become effective on the 29th day of August 1945.
Issued this 28th day of August 1945.

CHESTER BOWLES, *Administrator.*

[F. R. Doc. 45-16139; Filed, Aug. 28, 1945; 3:46 p. m.]

Senator BARKLEY. Do you handle this one [indicating]?

Mr. SEIDEL. I will tell you about that in a minute.

This is required to be preticketed, with a ticket on it, \$15.67. Consumers are led to believe that this is a fair price for the product, and the consumers, seeing a Government tag on here, have a right to expect that it is a fair price.

We placed an order for this, and instead of offering them to consumers at \$15.67 we offered them at 25 percent less than that, and they still did not sell. The product is not worth anything like the price.

Senator MILLIKIN. I will admit that the G. E. product looks a whole lot slicker than that product [indicating], but is there not some scientific way of determining which is the more efficient?

Mr. SEIDEL. Yes. I have had them both tested by laboratories, and they will tell you there is nothing unsafe about this. It throws out the same heat as this one [indicating]. It is perfectly safe to use. They would not say that, though, about this one [indicating].

Senator BARKLEY. It is not so much a question of safety.

Mr. SEIDEL. That is an important factor.

Senator BARKLEY. Of course it is; but that does not have much to do with the cost of making it.

Mr. SEIDEL. In appearance it is better, and the element I think is better.

Senator BARKLEY. Senator Millikin, who is an expert on these matters, says it may look slicker. But the question of whether it gives out more heat and lasts longer might enter into the price.

Senator MILLIKIN. I have had an education in slickness since I have been watching these OPA deviousities and sinuosities.

Senator MCFARLAND. Are you going to show us any electric fans? Warm weather is coming on.

Mr. SEIDEL. I have lots of items if I had the time.

Mr. SELLS. We have a lot of information on this if you would like to have it.

Mr. HEILMANN. I would like to ask the witness what this exhibit is supposed to prove—lack of production of one or the other?

Mr. SEIDEL. I would say that it shows conclusively that we cannot permit incompetent people in OPA to price items for American industry. There is nobody down there that has the slightest conception of how to set these prices; and before I finish—

Mr. HEILMANN. Wait just a minute.

Mr. SEIDEL. Before I finish, I am going to offer an amendment.

Senator MCFARLAND. I think we are wasting time now.

Mr. HEILMANN. I would like to put into the record the fact that General Electric has produced 95,000 of the bowl-type heaters from VJ-day to the time of their strike on January 15. They have produced 105,000 of the taller type. They have produced them and sold them up to the time of their strike.

If this is supposed to illustrate that you are getting production by a new manufacturer and not getting production by an old manufacturer, I do not think that this has proved it. The production of General Electric was about three to four times greater than its 1941 production on those two items.

Senator CAPEHART. I think it has been brought out that they were producing at a loss, and I think that speaks well for General Electric, that they were really cooperating in the reconversion period.

Senator BARKLEY. I suppose they were producing at a loss, and the strike helped to make it impossible to produce at a loss.

Senator CAPEHART. Here is an item [indicating] that sells to the public at \$8.59 and here is one [indicating] that sells for \$15.67; and you can use your own judgment as to which is the better product. This one [indicating] has an OPA-approved price of \$15.67, and this one [indicating] has an OPA-approved price of \$8.59.

Mr. HEILMANN. I might say on the question of comparison that I do not believe that Congress would want us to price, in the case of the bowl-type heater, to the returning veteran or the small individual going into business, with a General Electric article. In the case of the other heater [indicating] we have a difference of \$1.27 which I think is the proper difference, considering the quality of the two heaters.

Senator CAPEHART. The way to do it is to price both of them so that they will show a decent profit to the manufacturers and protect the consumers from runaway inflation.

Mr. SEIDEL. I believe G. E. has an application for price increase on this that has not been acted on.

Mr. HEILMANN. That is right.

Mr. SEIDEL. Why don't you act on it?

Mr. HEILMANN. Because of the difficulty of trying to grant a profitable item to every manufacturer.

Mr. SEIDEL. I would like to give an example or two to demonstrate the maximum average price program and how it holds up production.

This plan provides, as you probably know, that the average price of goods sold currently may not exceed the average price of goods sold during the base period of 1943. That means that producers of cotton chenille robes must produce robes at a price of \$2.25 each. The cheapest robe that can be produced costs approximately \$3.25, and as a result of that, chenille robes have practically disappeared.

In January we contacted 27 producers and we found only 2 of them that could deliver any robes, and those 2 are discontinuing their production. We found 1 gentleman who could give us 12,000 robes, provided we paid him \$7 each, in cash, no checks.

The CHAIRMAN. What was the point? Why did he want cash instead of checks?

Mr. SEIDEL. Because he is a black-market operator, or I assume he is. I assume he has no legitimate way of charging \$7 for a \$3.25 robe.

Mr. SELLS. Did you pay that black-market price?

Mr. SEIDEL. No; and I kind of resent that. We have never violated any price regulation at all, ever.

Mr. SELLS. You said you paid \$7.

Mr. SEIDEL. I didn't say that at all. I said we found a gentleman who could give us 12,000 robes if we laid cash on the barrel head to the tune of \$7 each.

Mr. SELLS. I just wanted to be sure that you did not say that.

Senator CAPEHART. I think perhaps Mr. Sells would like to withdraw his question.

Mr. SELLS. Yes. I thought he made that statement.

Senator McFARLAND. We just waste time with that kind of business.

Senator CARVILLE. I think the committee should ask the questions, unless you ask permission to ask them.

Mr. SELLS. I beg your pardon, sir.

Mr. SEIDEL. A manufacturer of wash suits in Philadelphia has made and is now holding 48,000 garments, at a price of 92 cents, and 6,000 at a price of \$1.26½, and he has got 216,000 in process. All of these garments are part of the much-publicised low-priced apparel program. The 92-cent garments would be preticketed to consumers at \$1.40 and the \$1.26½ garments at \$1.90. But he cannot ship any of them. One branch of the Government gives a man allocations so that he can make goods, and another branch keeps him from shipping them. The MAP program stymies the low-priced goods program.

I do not think there is any question but what the MAP plan should be thrown out. The House voted to throw it out, and I presume the Senate will, too. The OPA would be wise, if they are ever going to change that plan, to do it now, because there are lots of goods that could be shipped if we had no MAP plan, and it would help alleviate the extreme shortages which I described first.

I would like to offer a number of amendments that we have very carefully considered; but I might say before I offer them that our membership is practically unanimous in this matter. We have polled every member; we have had conventions with very large attendance. We have offered all these amendments without one dissenting vote. We think that it would certainly be harmful and most unwise to continue the Stabilization Act in anything like its present form. We think, too, that OPA has not been very helpful in saying that they want it continued exactly as it is. Some people would like to throw them all out. We have not taken either position. We have attempted to take a middle-of-the-road course and offer amendments. We hope they will stop OPA from crippling production.

The first proposed amendment is a request that Congress make a declaration of policy [reading]:

That it is hereby declared to be the policy of the United States to speed the return to a free economy under which competition will regulate prices, that the obtaining of maximum production in industry is the paramount need of the transitional period and is more important than maintaining existing price levels.

The second proposed amendment would concentrate the activities of OPA on essential needs. We believe that if they want to be a pricing agency they can do a much more effective job if they confine their activities to items that really need price control, and not attempt to control production. The amendment is as follows [reading]:

That no price heretofore established for any commodity or service which does not directly and materially affect the cost of living shall be maintained under the authority of this act or the Stabilization Act of 1942 as amended. The Price Administrator, the Civilian Production Administration, the Secretary of Commerce, and the Secretary of Agriculture, shall, by concurrent action, determine the commodities and services which directly and materially affect the cost of living, and on and after the effective date of this section, the price of no other commodity or service shall be subject to control.

The third proposed amendment would eliminate the maximum average price regulation and all similar regulations. It is as follows [reading]:

No regulation or order shall be promulgated or enforced under the authority of this act or the Stabilization Act of 1942 as amended which directly or indirectly requires or compels a producer of a commodity to conform during any period to a pattern of production or sales of such commodity by price range or unit classification based on any period.

The House amendment, while it eliminates the MAP plan, I do not believe is specific enough to eliminate other practices of OPA that are very similar to the MAP plan. They have at the manufacturing level what they call the highest price line limitation. You remember that that was at the retail level also and was eliminated, but it was never taken off the manufacturer. If the MAP plan is eliminated and if OPA can later put this price line limitation on a manufacturer, it will hamstring him just as badly as MAP does. So the thing has got to be worded in such a way as to make it clear to OPA that it is meant to eliminate all such types of regulation.

The fourth proposed amendment would restore the establishment of pricing to industry; OPA to function in a supervisory capacity. It reads as follows [reading]:

The price which shall be applicable to any commodity or service subject to control under the authority of this act shall be established by persons engaged in the production and distribution of such commodities and in the rendition of such

service, and shall not exceed the levels necessary to afford prewar margins above current costs. The Price Administrator shall have authority to require that prices so established shall be suitably reported in the manner and at the times which may be necessary for the proper administration of this act.

In other words, instead of having what you might call price control, why not have price regulation? OPA has not the personnel to determine how to arrive at these prices. Industry has to arrive at them. Turn the job of pricing over to industry; give them formulas to work on. Let OPA permit the sale of goods within these programs and move in on people who do not comply. I think that is the only way out. First, confine them to a few items; then give industry the job of pricing.

The fifth proposed amendment would provide a standard for decontrol. It gives the Industry Advisory Committee the job of making recommendations to OPA on decontrolling products. It reads as follows [reading]:

Whenever it shall be made to appear by appropriate petition submitted to the Price Administrator by or on behalf of an industry advisory committee that the production of any commodity of such industry, or that the facilities for the rendition of any service performed by such industry, which commodity or service is subject to control under the provisions of this act, shall have attained a level such as to preclude the likelihood of speculative, unwarranted or abnormal increases in price or shall have obtained a level commensurate with demand, price controls then in effect shall be suspended.

The CHAIRMAN. Does that complete your statement?

Mr. SEIDEL. I have two or three things that I would like to put into the record.

Senator HICKENLOOPER. I assume that you believe that the present proposed amendment to continue price control and OPA for another year is in itself a crippling amendment to American industry?

Mr. SEIDEL. I certainly do.

I would like to put these things into the record. I have some telegrams and I have a booklet. I do not know why I am getting all these wires from Idaho, but I have had five or six wires from Idaho since I have been in Washington. This one, from E. G. Harlan, manager, Boise Retail Merchants Bureau, dated April 30, 1946, reads as follows:

Wide dissatisfaction with OPA all over Idaho. State Automobile Dealers Association on February 18, unanimously voted abolishing OPA June 30. Hardware and Implement Dealers Association of Idaho and Utah annual meeting February 25, voted critical resolution on OPA Idaho Cattlemen's Association annual meeting April 11, voted abolishing all OPA controls. All above actions mailed Idaho Senators. Thousands of merchants, consumers, and people in all walks of life in Idaho request drastic reduction or abolishment of OPA authority on June 30, and request your help in presenting our opinions in Washington.

Here is another one from Ezra B. Hinshaw, of the Anderson Stores Co., to Ted Schlesinger, of the Allied Stores Corp., 1440 Broadway, New York City, reading as follows:

Following organizations have submitted resolutions asking for modification or termination of price control since February 18: Idaho Dairymen's Association, Hardware and Implement Dealers Association, Boise Valley Power Association, Idaho Cattlemen's Association, Western Retail Lumbermen's Association, Idaho Wool Growers Association, Idaho Automobile Association, Boise Food Dealers Association, E. T. Taylor, master of the Idaho State Grange. In addition a number of important representatives of Idaho industry have personally intervened for modification or termination of price control with Senator Taylor. Idaho Wool Growers Association wired Senator Wagner, chairman, this morning. Inasmuch as copies of these resolutions are not available within time limit, suggest that

Bob Seidel request copies from Senator Taylor. The above representatives of associations mentioned are very much incensed over Senator Taylor's inference that they have not been heard from.

The next telegram is dated May 1, 1946, from A. C. Willemsen, managing director, Anderson Stores Co., Boise, Idaho, to Theodore Schlesinger, of the Allied Purchasing Corp., 1440 Broadway, New York City, reading as follows:

Wires from local individuals as well as members of merchants bureau have been sent to N. R. D. G. A. headquarters, Washington, D. C., opposing continuation price set-up unless modified. Also grocers association here militantly against maladministration. Seidel should back up this information in Washington. Also following wire has gone forward: "Caroline F. Ware, Association of University Women, Monday local newspaper reports Associated Press story you will present to the Senate Banking Committee a statement in the name of 23 regional organizations urging rejection of all the crippling amendments by which the House wrecked the price control bill. Our local club has not discussed this matter nor authorized this statement." Also Seidel has received direct wire from local chamber of commerce and we will air mail some resolutions serving important organizations requesting OPA modification or abolishment. These resolutions also have gone forward to Idaho Senators.

The CHAIRMAN. Dr. Caroline Ware established the organizations which she represented.

Mr. SEIDEL. Did she establish the consumers that she represents?

The CHAIRMAN. Yes; she did. I have about 30,000 letters from New York asking that we keep OPA as it is today. That includes MAP, too.

Mr. SEIDEL. Senator Wagner, the question that seems to be put to the American public is, Shall we keep OPA as is, or let prices skyrocket, life-insurance policies disappear, people lose their homes?—and of course they will say, "We want OPA." But if you ask them, Would you like a shirt?—you would get replies from people all over this country that they would like a shirt. But you are not getting any shirts, because of OPA.

The CHAIRMAN. I think these letters are in good faith, and also the telegrams are in good faith. The people know what the problem is, because they have dealt with it.

Mr. SEIDEL. I question that they know what the problem is. I do not question their sincerity.

The CHAIRMAN. I think they do know.

Senator MITCHELL. Are these telegrams from members of your organization?

Mr. SEIDEL. The first one is from the manager of the Boise Retail Merchants Bureau. I assume that some of the members of the Boise Retail Merchants Bureau are members of our organization; but a good many of these organizations are not—the Wool Growers Association and the farmers, and so on.

Senator MITCHELL. I do not see why you should present to the committee a bunch of miscellaneous telegrams from somebody that you do not know.

Mr. SEIDEL. I think they were sent to me, sir, because I was a resident of Boise, Idaho. I think that is why they were sent to me.

Senator MITCHELL. I still do not see why they should be in the record as part of your testimony. I have no objection, but time is short.

Senator CAPEHART. I move that they be considered a part of my testimony.

Senator MITCHELL. I am not questioning their being put into the record, but I do not see why they should be read to the committee.

Senator CAPEHART. I think it is a very unusual situation when a Senator asks to put into the record a large document with a lot of names on it, and then objects to a citizen of the United States putting into the record wires that he has received.

Senator MITCHELL. I do not ask that these 5,000 names be put into the record, Senator. I merely want the committee to know that these 5,000 people in Seattle are very much in favor of the retention of a strong OPA. I wanted the committee to know that in my mail I have received 2,939 letters for OPA and 335 letters against OPA.

Senator CAPEHART. I have no objection to it. I think it is a splendid thing. I think it should be in the record. By the same token, I think this gentleman should be permitted to do the same thing.

Senator McFARLAND. You waste more time talking about it than it would take to read them all.

Mr. SEIDEL. I used to be a resident of your State, Senator Mitchell. I was in Walla Walla for 4 or 5 years. Last Friday I was presented with a can of peas from some people in Walla Walla, and they asked me to bring a booklet down here entitled "Walla Walla, Wash., takes a look at price control."

Senator MITCHELL. I think that booklet should be in the record, because it asks for continuation of OPA.

Mr. SEIDEL. It asks for temporary and limited continuation, with a plan and policy for decontrol; a number of immediate changes with a method for more flexible administration; stimulation of production to provide consumer merchandise and more consistent employment; less of piecemeal economic regulation; action now by Congress.

Senator CAPEHART. May I make this statement? The witness has offered five amendments to the OPA Act. He has not asked that it be eliminated. I have glanced through these amendments, and while I have not read them carefully I think they are all fair and equitable, and I want to congratulate the witness and the association which he represents for not coming in here and asking that OPA be eliminated, but, rather, that the act be amended to make it workable. I am in hearty accord without having studied those amendments, but, reading them hurriedly, they certainly show that they have studied the problem, and I think they are to be congratulated on trying to solve the problem.

Mr. SEIDEL. May I put one more thing into the record?

The CHAIRMAN. An amendment?

Mr. SEIDEL. No, sir.

The CHAIRMAN. Another statement?

Mr. SEIDEL. There is a lot of talk about where our white shirts are going. I want to show you an instance of where a large quantity of white shirts are going. It was reported to me on last Friday that the Ivy Export & Import Co. were holding 60,000 dozen white mercerized broadcloth shirts at a price of \$22.50 a dozen. They would deliver these to anybody holding an export license.

On Monday morning, because it seemed completely unreasonable, to me, that we should be exporting white broadcloth shirts, I assigned a buyer to the job of looking into this thing, and in order to check it we had to get an exporter to go with our buyer to check with the man.

Here is what we found.

The Ivy Export & Import Co. has no listed address. They were authorized to do business under an assumed name, or whatever the legal terminology for that is, in February of this year. The two members of the firm are a Brooklyn school teacher and his brother. These people have the shirts. They refused to tell us who made them. They refused to let us get a look at the warehouse stocks, but they will present a sample of the shirt. They will put in any kind of a label, in the collar, that we want, but they will only sell them with an export license.

The price is entirely too high. The manufacturer of the shirts involved has 720,000 shirts.

Senator MILLIKIN. Do you know they have that many, or is that what they said they had?

Mr. SEIDEL. That is what they say they have.

I reported the full circumstances of this matter to the Chief of the Apparel and Textile Section. The Enforcement Branch of OPA in New York City does not know whether he has any authority in the matter or not. I do not know that they violate any law at all; but I know we are shy of shirts, and it is reported that they have 720,000.

Senator CAPEHART. That is a firm organized in February of this year and they have an export license?

Mr. SEIDEL. No; they do not have an export license. They will sell to an exporter.

Senator CAPEHART. And they say they have 720,000 shirts at prices above the OPA ceiling?

Mr. SEIDEL. The OPA ceiling on shirts is variable, depending on who has the shirts. It may be that this man can show that he has a right to charge this price.

The CHAIRMAN. What do you mean by saying it depends on who has the shirts?

Mr. SEIDEL. One manufacturer has one price and another has another price on shirts. I do not know for a certainty that this man does not have the legal right to charge \$22.50.

The CHAIRMAN. Do you know anything about that case?

Mr. SELLS. I do not know anything about the case. I have not heard of this case. There was a rumor some time back of an even larger quantity, which turned out to be nothing at all.

Mr. SEIDEL. This is beyond the rumor stage, because I gave a buyer the job of tracing it down for a whole day.

Mr. SELLS. We will look into it.

Senator CAPEHART. Would you say that was a black market in white shirts?

Mr. SELLS. I would not assume to say that.

Mr. LIEBERMAN. Mr. Chairman, there is one thing in regard to wash suits that I would like to state. When that was brought to our attention we made an adjustment in the price. As a matter of fact, I remember it clearly because we received one of the few commendatory letters received from the firm with regard to those wash suits. The letter stated clearly that he was able to ship and that everything was all right so far as he was concerned.

Mr. SEIDEL. I cannot keep checking on these things. Two of the instances I cited were changed yesterday. I am glad they have cleaned it up, if they have.

The CHAIRMAN. The next witness is Mr. W. D. Farr.

STATEMENT OF W. D. FARR, SECRETARY OF THE COLORADO-NEBRASKA LAMB FEEDERS ASSOCIATION, GREELEY, COLO.

Mr. FARR. Mr. Chairman and gentlemen of the committee, my name is W. D. Farr, of Greeley, Colo. I am a feeder member of the Cattle and Beef Industry Committee. I am a member and representative of the Weld County, Colo., T-Bone Steak Club, whose 35 members feed over 50,000 cattle annually. I am also secretary of the Colorado-Nebraska Lamb Feeders Association. The members of this organization feed about one-fourth of all the lambs fed in the United States. My father and I have fed both cattle and sheep for over 50 years. I am the third generation in the feeding business.

I would like to tell you a few things about the feeding business; why subsidies and price ceilings are unbearable in the livestock industry; why you must eliminate livestock from these controls on June 30, 1946, or permanently injure the livestock industry and reduce your meat supplies for years to come.

I am a feeder, a middleman in the picture of meat production. Our feed lots are a meat factory. We buy feeder animals that have grown to approximately two-thirds of their slaughter weight on grass on our western ranges. These cattle are our raw material. We feed them our farm feed—grain, sugar-beet byproducts, alfalfa hay, protein concentrates. After feeding a steer or lamb from 3 to 5 months, he is a finished product, merchandise produced in a meat factory. That is the way you get beefsteak, lamp chops, and other meats for your table. From the time the range man breeds the cow until I produce a fat steer takes about 3 years. On lambs it requires about 18 months. You can appreciate that changing controls every few months makes intelligent planning and production impossible.

Senator MILLIKIN. How much weight do you put on a lamb in your feeding operation?

Mr. FARR. Between 30 and 40 pounds, and between 250 and 400 pounds on cattle.

The uncertainty of OPA controls and subsidies on the necessary long-range planning of a livestock operation is unbearable. We accepted these controls during wartimes. We were assured the would last as long as hostilities continued. Now we know they expire on June 30.

What will the new rules be? How long will they last? Will we have ceilings or subsidies, or will Congress realize the danger and remove livestock and meat from subsidy and price control? These questions are in every producer's mind in America. The livestock man wants to produce meat for the consumers and during wartimes we did produce the largest amount of meat on record. The only reason that meat supplies are now shrinking is because of the unsettled regulations, the unfair controls, and the farmer's distaste for doing business in the black market.

If controls are removed prices will have to rise 15 to 20 percent to offset the subsidies. These subsidies were originally put in as a roll-back to hold the line. Then they were increased from time to time to encourage production. Another use of the subsidy plan was to establish ceiling prices on live cattle, and the subsidy payments were used to bring about compliance with the price-control features of the general stabilization plan. Today the only use that subsidies

have is not to encourage production, not to hold the line—it has been broken too many times—but to hold down meat prices, absolutely what is was not intended for.

The Department of Agriculture's "The Livestock and Wool Situation" March-April 1946, says:

Demand for meat will continue strong through 1946. Government purchases for export will be at least as large as in 1945, and high incomes of domestic consumers will continue. Meat production probably will be close to the high of 1945. Prices of all classes of meat animals will be at or near present levels through mid-year, but during the later half of the year will depend partly on ceiling prices and subsidy programs in effect. Without ceilings, the retail price of meat in the second half of the year probably would average 15 to 20 percent above present reported prices, with a somewhat greater rise taking place on the better grades and more desirable cuts.

In other words, the Department of Agriculture is predicting that it will increase just about what the subsidies amount to.

That is the latest official prediction of the Department of Agriculture. They estimate that prices will only rise to offset the subsidies. That is a perfect situation. If prices do not rise to equal subsidies, then the producers will have to stand the loss. In these times of everything advancing it is hardly fair for a livestock producer to take this loss. However, we are anxious to take this loss now, whatever it may be, and get our business on a firm foundation. We don't want any more subsidies, because we know that it will lead to more and more. The further subsidies are carried the harder they are to stop. You Senators know what happened in France. Subsidies on top of subsidies until finally the country collapsed.

Between 20 and 25 percent of the value of our cattle and lambs is in subsidies. Certainly we are extremely vulnerable to have our inventory values reduced 25 percent overnight. Because of this threat, feed lots are being emptied and not refilled. Cattle, sheep, hogs are not being bred. Everyone is waiting to see whether we will have the same ordeal to face 9 months or a year from now. Or if OPA is extended, what will the new rules be? We cannot depend on any promises of the Government. A year ago Clinton Anderson promised the livestock producers of the Nation that we would have at least 6 months' notice before subsidies were ended. We could adjust our operations in that length of time. In January Mr. Anderson told the livestock world that he could not keep his promise. Congress would have to vote and we would have to adjust overnight. Would you have your feed lots full under these circumstances? Of course you wouldn't. When feed lots are not full, meat isn't produced. Your butcher cannot supply the meat. The answer is that black markets will become worse and worse and the meat still won't be produced, because of uncertainties.

We have about 80,000,000 cattle in the United States. Numbers are at record heights; in fact, they should be reduced in case of drought or short crops. We can and will produce meat in volume where it can be sold in regular channels.

The legitimate packer cannot buy cattle in volume at the present time, because almost all the cattle arriving at the markets are selling above the compliance range. We feeders are getting the advantage of the black market. We know our cattle are bringing about \$1 per hundredweight over compliance prices. We don't like this way of doing business.

Livestock and meat are perishable products. Production is largely governed by the weather, good crops, good grass, or drought. Normally these are the things that affect prices. Now, in addition to this, we have changing controls from day to day. Monday of this week the new quota system of sharing the livestock went into effect. Markets were shaky; no one knew what the new regulations were, and for a few weeks it may help put some meat in regular channels. However, in a short time it will drive the buyers to the country, where they will buy their supplies direct from the farmer and the black market will go merrily on its way. About a month ago a corn order went into effect where a farmer has to sign a slip when he purchases a load of corn, stating that he agrees to not feed his cattle past A grade. How can a farmer tell when an animal is A grade when we all know that upgrading is one of the keys to the black market? But theoretically if he signs a slip and feeds a steer to AA grade he is a criminal.

Now, gentlemen, here are the facts of the most vicious directive that livestock production has ever faced—the new corn and wheat purchase program by the Government. The average ceiling price for corn on the farm was about \$1 per bushel.

These prices are in western Nebraska and eastern Colorado, where we are familiar with them.

The black market which was recognized by everyone was about 30 cents per bushel on top of this. That is the reason the 30-cent figure is being used. The Department of Agriculture realized they had to equal or beat the black market to get the corn. Today a farmer who produced the corn can sell it to the Government at 30 cents a bushel premium if it grades No. 3 or better. No one else can pay over ceiling prices. No livestock feeder, dairyman, poultryman, or anyone else can get corn at any legal price. The farmer who happens to have raised some No. 4 or No. 5 corn does not have a very fair deal and he is certainly entitled to a raise in his prices. We feeders were supposed to get this offgrade corn. But do you suppose for a minute we can buy it at legal ceiling prices? Of course not. We have to pay a black market of 30 cents a bushel the same as the Government is doing in its own purchases, and get poor corn to boot.

Farmers are even blending their No. 5 or sample grade corn with their No. 2's and 3's so that it will not grade a No. 3 and be eligible for Government purchase. They are black-marketing this corn now for a 40- or 50-cents premium instead of 30 cents. Everybody buying corn today has to patronize the black market. Either livestock, poultry, dairy products, and so forth, will be liquidated in a very short time—which, incidentally, is proved by the tremendous increase in hog slaughter the last 10 days—or we producers will buy on the black market and the jails won't be big enough to hold producing America.

Senator MILLIKIN. Is the effect of that Government purchase this, that, first, it confirms what is the black-market price?

Mr. FARR. Yes.

Senator MILLIKIN. And confirming it, it sets a new springboard for a further black-market price?

Mr. FARR. That is exactly right, Senator. That is what it has been in the last few days.

Senator HICKENLOOPER. In other words, this Government action has simply jumped the black-market ceiling another 10 to 20 cents above what it was?

Mr. FARR. Yes; I think that is true in the State of Iowa.

Senator HICKENLOOPER. I am quite certain that is true, from conversations I have had out there in the last few days.

Mr. FARR. A feeder called me as I left home. He said he had 1,400 cattle in the feed lots, none of them ready to ship for at least 30 days. He had 2 weeks' corn on hand—what should he do? My answer to him was that he had better buy some black-market corn for a couple of weeks, because I felt that livestock ceilings and subsidies would be eliminated from the Senate bill in the same manner as in the House. He stated that he would do that, but if I was wrong and controls were continued he was going to liquidate his cattle and lock the feed lot until Congress ended controls. That is an absolute conversation, and I know there are hundreds like him. We are tired of being forced to be in violation of the laws in order to feed the country.

Gentlemen, I am telling you honestly and sincerely—OPA is making crooks by necessity out of almost every farmer in this country. The farmer's morale is breaking down; his respect of the law is breaking down. He is a producer; he knows that OPA controls are ruining him, and he feels that if the public could only know the truth, they, too, would ask for the same relief.

Senator HICKENLOOPER. Is not the farm situation something like this, at least under the present order? The farmer will have some corn to sell, grade 3 or better; he gets what is at least alleged to be a legitimate bonus of 30 cents a bushel under this Government purchasing plan?

Mr. FARR. Yes.

Senator HICKENLOOPER. His neighbor may have some corn that is just under No. 3; the moisture content will still permit him to ship it; it may not germinate quite so well, but it is pretty good corn. Human nature simply will not let that one farmer that has the lower grade corn, hold his corn when his neighbor is getting 30 cents a bushel more for his?

Mr. FARR. That is correct.

Senator HICKENLOOPER. And out in the agricultural areas of this Nation it is probably the greatest stimulus in driving honest farmers into the black market and saying, "Why should we comply with the law when the Government recognizes the black market and pays 30 cents bonus? We are going to get it, too."

Mr. FARR. That is just exactly what he thinks. He says, "This is a legalized black market by the Government; so why should we pay any attention to any OPA regulations in the future?"

Senator HICKENLOOPER. Don't you know, in your own area, or do you know, dozens of law-abiding farmers who up until recently have absolutely refused to deal in the black market and have refused to sell to those that they thought were dealing in the black market, because they thought they should try to comply with the law?

Mr. FARR. Absolutely; and that is the reason that this whole immediate picture has come to a head in the last few months and got so much worse. During the war many of these boys from the farms were in the service, and they just would not do those things, but now

that the war is over there is a different situation. These folks do not want to be criminals. During the war one of the feeders in our area bought corn in the spring of 1943 when it was short, and they prosecuted him and fined him for buying corn over the ceiling price, which we are all having to do now.

Senator HICKENLOOPER. I would suggest that out in your territory now, if they started to fine a farmer for selling corn at a 30-cent bonus there would be a riot out there, would there not?

Mr. FARR. Yes; there certainly would.

Senator HICKENLOOPER. We were told, when this 30-cent corn purchase came into effect that these 50,000,000 bushels purchased by the Government were to be used by domestic consumers in order to relieve the pressure on the industrial demand. We were told last night that that must have been a mistake, because practically all of these 50,000,000 bushels is now intended for overseas shipment. The question I want to ask you is this—because I am still mystified by this sudden change of policy and the fact that the program now seems different from what it was a week or two ago—if this 50,000,000 bushels of corn is drained off by the inducement of a 30-cent bonus, what is it going to do to the black market? Is it going to stimulate the black market?

Mr. FARR. It will stimulate it. We have to have feed for animals, and it just stimulates the black market.

Senator HICKENLOOPER. You still have the processors.

Mr. FARR. The Secretary of Agriculture the other day made the statement here that it was for the relief of people who have pushed off the black market during the winter. Now they are buying corn and subsidizing it back to those people, according to the Secretary's statement Monday.

Senator HICKENLOOPER. I tried to locate the Secretary yesterday, but the paper says that he has gone down to the Kentucky Derby; so I guess we will have to wait until Monday or Tuesday.

Mr. FARR. I have a letter here from Mr. Guy Scudder of Sumner, Nebr., dated April 30, 1946, and addressed to the Secretary of Agriculture, which reads as follows:

SCUDDER GRAIN & LIVE STOCK Co.,
Sumner, Nebr., April 30, 1946.

Mr. CLINTON P. ANDERSON,
Secretary of Agriculture, Washington, D. C.

DEAR MR. ANDERSON: Enclosed you will find telegram which I received from Commodity Credit Corporation, of Chicago. This in reply to my telegram to Commodity Credit Corporation at Kansas City, last week, asking how I could get corn.

Now, this order, granting 30 cents per bushel for corn, for a limited time, with no provision for the feeder, is just about the last straw, and it will put us out of business in a very short time. It will bring forth the most acute shortage of meat of all kinds, that this country has ever experienced.

I had 12,000 bushels of corn contracted, to be delivered right after corn-planting time. Now that your order is out granting this 30-percent increase, these men want the increase, which I feel they are entitled to. Yet, I cannot pay this increase, and cushion the loss on my cattle. I am forced to stand by and see this corn leave this section of the country, because I am prohibited by the OPA, on one hand, to pay not over \$1.09 per bushel delivered here for corn, which I need for these cattle, and on the other hand, the Government will take it from here at \$1.39 per bushel.

All the corn which is left in this country around here, after expiration date of this 30-cent order, will be held until October by the owners.

Mr. Anderson, I was good enough through these years of war, to go along with the Government, feed more cattle and hogs, and did my best to produce more corn and Atlas, putting up as much as 5,000 tons of silage per year, working harder the past 5 years than any time in my life, in fact too hard, it has cracked my health.

And now, in return for what I have helped during these years, you are putting me out of business, and this within a very short time.

Now it appears this is your aim, and if so, I wish you would advise me, as I can voluntarily liquidate \$200,000 worth of cattle and hogs, to a lot better advantage, than trying to stay the limit, and being forced out.

Yours very truly,

GUY SCUDDER.

The CHAIRMAN. Does that complete your statement?

Mr. FARR. Yes, sir.

The CHAIRMAN. Thank you very much.

Senator MILLIKIN. You have made a very fine statement, Mr. Farr.

The CHAIRMAN. The next witness is Mr. Flint Garrison, representing the Wholesale Dry Goods Association.

STATEMENT OF FLINT GARRISON, CONSULTANT FOR THE WHOLESALE DRY GOODS INSTITUTE, SCARSDALE, N. Y

Mr. GARRISON. I have a very brief statement that I wish to make, Mr. Chairman.

My name is Flint Garrison. I live in Scarsdale, N. Y., which is a suburb of New York City. My office is in New York City. I am a publisher, but I am acting as consultant for the Wholesale Dry Goods Institute, which is a national association of dry goods wholesalers. Our members are very sympathetic to the purposes of price control, and for 4 years we have collaborated in every possible way to help OPA attain its purposes. But the situation has reached a point today where a general dry goods wholesaler finds it extremely difficult to do business at all; and literally—and I hope you will take this seriously and exactly—it is literally impossible for a general wholesale dry goods merchant to operate legally at the present time. By "legally" I mean to comply exactly, to the letter, with the various price regulations to which he is subjected at the present time.

That situation arises from the fact that there is no general regulation governing the operations of wholesalers. A wholesaler is controlled by commodity regulations. The more commodities he handles the more regulations he is subjected to.

Some of our members, in addition to carrying items coming within the entire range of textiles and textile products, also handle what are called variety goods which come within the realm of ceramics and metals, and also home goods that come within the realm of wood and rubber, furniture, and things of that sort.

About a week ago I asked one of the price administrators in OPA what he thought was the number of price regulations to which one of these general houses would be subject at the present time. He thought the matter over very carefully and said he thought it would be between 400 and 500 separate regulations that one of these general houses would have to follow.

One house in particular has an expert with three assistants whose sole business it is to keep track of these regulations. I asked this expert, entirely independently of the OPA Administrator, what his

estimate was. He thought about it carefully and reached the conclusion himself that it was between 400 and 500 regulations.

That is not the worst of it. Every price regulation is subject to amendment. Each of these men estimated that on the average every price regulation is amended from 5 to 6 times. Some of them are amended more than 50 times. So if you take the lowest figure, 400 regulations, with 5 amendments, you have got 2,000 laws which a general house of this character must observe.

And that is not the worst of it. Incidentally, if I brought here to show you the bound volumes of all the regulations which some of these houses would have to observe, it would be a 5-foot shelf of laws. Instead of that, I bring merely a directory of regulations [exhibiting a volume].

Senator MILLIKIN. You mean, that is an index.

Mr. GARRISON. This is an index, a 500-page volume, an index of regulations, the majority of which some of our members must know about and study and endeavor to comply with.

To give you an idea of the complications of it, if you take the single items of men's and boys' shirts, there are 9 separate regulations governing that line of goods; and if we apply the usual formula of 4 amendments to it, you have got 4 times 9, or 36 laws governing men's and boys' shirts.

Senator MILLIKIN. How many items will a dry goods wholesale house handle? Or does that vary so much that you cannot give us an estimate?

Mr. GARRISON. It varies so greatly that we could not give you a definite answer.

Senator MILLIKIN. Think of one that might be typical of a wholesale dry-goods house. Make a rough guess at it.

Mr. GARRISON. If you count as an item, for instance, the different numbers in thread, as different items, a big house will have from 80,000 to 100,000 items. It depends on how you classify items, don't you see?

Take cotton piece goods. It is subject to M. P. R. 39, 35, 118, 127, and 157. And that is not the whole story. Some regulations are amended in another regulation which does not carry the same number. Regulation 127 has been completely revised three times and amended frequently. You will find that 127 has been amended in S. O. 14-E; and S. O. 14-E has been amended 39 times.

Senator HICKENLOOPER. You never can tell what the law is for today until you open your mail this morning or read the paper, under that system?

Mr. GARRISON. That is true, sir.

Here is another difficulty. As manufacturers' prices are increased, as they have been from time to time, and particularly during the last year or so, in the cotton goods industry, due to the Bankhead-Brown amendment, those advances sometimes raise the manufacturers' price above the wholesalers' ceiling, and we must apply to OPA—we must, for the group as a whole—for relief on those items. It takes varying periods of time. There were a number of advances made in September of last year, and in April of this year we got the last amendment which corrected some of the prices of quite a wide range of merchandise within the original regulation. Some of them were amended in 3 months, some in 4, some in 5, some in 6; and we are still waiting

for an adjustment on merchandise which during that period was priced on open pricing. Where it was known that the manufacturer was going to get an increase, the wholesaler was permitted to bill on an open price; but he is still waiting now to find out what his surcharge can be on those items.

That is still not the worst of it, sir. Many of these regulations which authorize a wholesaler to advance his price stipulate that he must write on the invoice that he ships to his customer the facts regarding that increase, what the manufacturer's increase was, how much of it ought to be absorbed, and what part of it he could pass on to his customer. He is required to pass that information on to his customer, and in most of the regulations it provides that he must state it on his invoices.

I had one of the houses fix up an invoice [exhibiting a document]. This is not a typical invoice, by any means. It is a reductio ad absurdum to show what situation could develop.

A house dealing in a general line cannot write all of that on an invoice. It is just a physical impossibility. They cannot do it. So they have to devise various methods of handling the thing. Usually what most of them will do is to have mimeographed copies of the information which they have to send to the customer, and then they will put on the invoice to the customer a code letter signal which will identify the mimeographed copy of the regulation that he attaches.

Here is presumably a little invoice sent to a little variety store amounting to some \$340. That has 27 attachments to it, each with a code indicia to show the little retailer how the wholesaler was authorized to increase the price and to show to the retailer what his price should be.

That is by no means all of the notifications which could be attached to one of these things; but I am merely offering that as indicating—

The CHAIRMAN. I understood you to say that you were rather in sympathy with the general purposes of price control.

Mr. GARRISON. We are, sir; we are in sympathy with price control and we actually want to see it continued.

The CHAIRMAN. With all these tremendous items—I think you said that in one store there might be a hundred thousand different items—how can OPA exercise its power over a situation of that kind without knowing something about these items? What is your proposal?

Mr. GARRISON. My proposal is this. We have urged it on OPA from the very beginning as being a simple, practical, realistic approach to the whole problem of price control. We urge, so far as wholesalers are concerned, and we believe it is applicable to manufacturers as well as to retailers, that each seller be permitted to price his goods based on his current costs, whatever the current costs may be, plus his historic mark-up; that is, the mark-up which he employed on these goods in a specific prewar base period.

Mr. Bowles has gone on record as saying that that would be inflationary. I found it difficult to reconcile that statement with Mr. Bowles' own statement, which he made before you gentlemen here, in his able presentation of the effects of price control.

In order to show that price control had not injured business, Mr. Bowles showed, and I think his figures are correct, that wholesale business showed an increase in profit under price control of from 200 to 1,600 percent.

Now, I submit that it does not seem logical to say that to permit a seller to go back to the margins that he employed in a base period, from which he is now showing an increase of from 200 to 1,600 percent, would be inflationary.

We urge you to consider that as one of the "outs" not only for industry but for OPA.

I have been in conferences with OPA every week for 3 years. I actually was a consultant to OPA in the early stages of price control, and I have great sympathy for those men. They have an extraordinarily difficult job, a thankless job, and they simply have now got themselves into a situation where their own procedures cannot possibly get them out. These delays that occur in adjusting prices for different people are due to the fact of the complications of OPA procedure and the inadequacy of the personnel in the organization at the present time.

Senator MILLIKIN. It is due also, is it not, to the complications of our economic system, which is so complicated that no single agency can do the necessary adjusting to everything all working together, to keep in mesh with every other thing?

Mr. GARRISON. That is right, sir.

It seems to me obvious that the quickest way that we can get industry to operating, and at the same time not take the lid completely off of price control is to price on the basis of current costs plus historic margins. I am fearful of the results if we did eliminate all price control.

The CHAIRMAN. I am, too.

Mr. GARRISON. I am quite fearful of what would happen. I think in certain lines we would have a run-away market the like of which we do not realize. But we could liberalize the whole thing by authorizing the seller to take his current costs and add to those costs the mark-up which he employed in a period prior to the war. I do not see how a run-away market could occur under that.

Senator MILLIKIN. That would probably result not in a fixed price level, but it would be a stabilized level, would it not? It would be a level that you would be capable of holding the line on?

Mr. GARRISON. I think so. But, Senator, if the profits of wholesalers are running from 200 to 1,600 percent higher than they were at a time when they used historic margins, I do not see why it should result in an increased price level if we returned to those historic margins.

Senator MILLIKIN. Well, I regard that statement as an extravagance.

Mr. GARRISON. I think there is some truth in it. I do not know how it is obtained, to tell you the truth.

Senator MITCHELL. May we have Mr. Sells' comment on that?

The CHAIRMAN. Yes.

Mr. SELLS. Thank you very much.

I would like to say that we in OPA have worked very closely with Mr. Garrison and have a great deal of respect for him and have also had some differences of opinion on some of these matters. I am sure that Mr. Garrison will not object if I point out that the volume that he mentioned a few moments ago is not an index of OPA regulations but rather an index of commodities and services covered by OPA regulations. In other words, what it does is to list every commodity that it has been possible to think of.

The CHAIRMAN. You mean, every item?

Mr. SELLS. Every item. Then it refers to the regulation which applies to it and the page where it can be found in one of the directories of the regulations themselves. On the other hand, I do agree that they cover a very large number of regulations, and we have a serious problem.

Senator MILLKIN. How many regulations do you have?

Mr. SELLS. We have 607, covering all items in all divisions of industry.

Senator MILLKIN. How many amendments to those do you have?

Mr. SELLS. I do not know for sure, Senator. There are some regulations that have none, and I know of one that has 43.

Senator MILLKIN. Taking the number of regulations, plus the amendments, it does mount up to a very sizable body of law?

Mr. SELLS. Yes. Of course they do not all apply to the wholesaler.

The problem which Mr. Garrison brings up is a very serious one in which we are very much interested.

One of the problems at the present time, at this stage of price control, is that the wholesalers for the most part have their ceilings computed on practically everything they handle. The new amendments that are coming along make adjustments which they are requesting, and we have in conjunction with Mr. Garrison worked out a good many amendments granting relief on certain items as situations have developed.

If we were to establish a historic mark-up for the wholesaler there would be a very great burden to each individual company to compute the necessary mark-up that would establish their historic margins. It would be necessary for them to examine their invoice for a period of time and actually compute what their mark-ups were, item by item; because I know Mr. Garrison will agree with me that it would not do to have one mark-up for all items sold by the wholesalers. The simplest way to do it would be to say X percent on everything. They sell overalls at a very close mark-up, and other goods at a rather long mark-up. So it would not be possible to do that.

Senator MILLKIN. In normal times the inventory man in a wholesale establishment or any other establishment does those things almost automatically, does he not?

Mr. SELLS. Yes.

Senator MILLKIN. He knows out of his own experience what the normal mark-ups are?

Mr. SELLS. But they vary from company to company.

Senator MILLKIN. Yes; of course; but within each company presumably there is an inventory man who knows those things.

Mr. SELLS. We did this for the retailers about a year ago, and although generally they endorsed that measure as a very constructive measure, we had more protests and more congressional mail on that regulation than on any other regulation we ever issued at OPA, because of the burden involved in computing the necessary mark-up tables.

I have looked over very carefully this invoice that Mr. Garrison shows, and I do not believe it is quite as terrifying as the volume of it would indicate, because a good deal of it is dittoed material which would go in on certain items.

Senator MILLKIN. Psychologically, if a man is confronted with reams of stuff like that it is awfully difficult to overcome in his mind.

Mr. SELLS. Formerly the same kind of invoice notification was required on individual adjustments granted manufacturers. We have eliminated that, and we have cut down the volume a great deal and we are taking further steps in that direction.

The question that I am addressing myself to is whether you can throw out the work of 4 years and the pricing which has already been done and start out anew right here in what is practically the last lap. I think that is something that has to be considered very carefully.

One further point, and that is that I believe that what Mr. Garrison is recommending, in addition to a change in method, is the abolition of cost absorption; and that is something which I think would make price control impossible.

Senator MILLIKIN. It would not make control impossible; it would raise your level?

Mr. SELLS. It would raise it considerably, sir.

Senator MILLIKIN. How much, do you estimate? Suppose you went back to a traditional mark-up system all the way along the line: how much would it raise prices?

Mr. SELLS. If you went all the way back and repriced everything without any prospective judgment, there are some items that would go up 15 or 20 percent. That is an offhand estimate, and I have not computed it. I state it "off the cuff." Some might go up more and some might not be so much.

Senator MILLIKIN. Just roughly, all the way across the board?

Mr. SELLS. My personal opinion is that it might mean a general rise in prices of somewhere between 10 and 20 percent right away; possibly more.

Senator MILLIKIN. And having done that—and I am not now asking that it should be done—you would then have brought business into its normal method of operation; you would have great simplicity so far as your own administrative job would be concerned; you would then have a line which would be a normal and healthy line, and then if you did not commence to interfere with that by granting increased costs on items down at the lower levels, which in turn would cause further increases, you would have real stabilization. But I am afraid that when you get that stabilized line you would commence to undo it by granting increases down below which would cause a new bulge and break the line all over again.

Mr. SELLS. I think that using mark-up tables at this time would be a big improvement over our present system. The cost of doing it is something that we have to consider very carefully against the amount of time that such regulation would be in effect.

I might say that we have worked on such a regulation and have a draft in our office which we have talked about with wholesalers for some time. Mr. Garrison has seen it, I believe. But there are a great many problems involved in putting it into effect, and it would take, I think, 3 months at least just to put the regulation into effect, and every company involved would have a tremendous burden of work in order to shift over from one system to the other.

Mr. GARRISON. One other thing, Senator. Here [indicating] is a recent regulation of OPA. This is MPR 602 governing nylon hosiery. It limits the manufacturer's sales to wholesalers, to the same percentage of hosiery of all types, full-length hosiery, sold wholesalers in 1941. This regulation is working to the great disadvantage of small

wholesalers and small retailers, for this reason. Since 1941 there has been a cleavage in the selling policies of manufacturers. Certain ones have gone to the retail trade and others more to the wholesale trade. This regulation requires those who have increased their percentage of sales to wholesalers to come back to their 1941 percentage, but it does not require those who have increased their percentage to retailers to come back to their 1941 percentage. So, automatically, without any other consideration, there would be a decreased percentage going to wholesalers under that regulation, and there is at the present time.

Now, I know the purpose for which that regulation was issued. Wholesalers are granted a mark-up in order to do business, and retailers buying from wholesalers get a few cents a pair more; that is, retailers buying from wholesalers get a few cents a pair more for stockings than they would get going through cabin stores and department stores. Because of that fact there has been an increase since 1942 to 1945 in the percentage of hosiery going through wholesalers. Somebody is making this extra profit.

On analysis, however, it can be shown that the percentage of increase of hosiery going through the channel to people who might ordinarily be expected to buy direct is a relatively small percentage. But during those years from 1942 to 1945, inclusive, there was a great increase in the sales by wholesalers to large department stores and other central retail units.

Now, having established that business through the largest stores in the central shopping areas on their lines going through wholesalers, the manufacturers, now that their percentage has gone back to 1941, are doing what? They are taking care of their city trade. They are taking care of these towns where their lines are sold and are cutting off the smaller wholesalers who serve the small retailers, and the small wholesalers are either having their supplies greatly curtailed or are being eliminated from the market altogether, and the smaller retailers who depend on the wholesalers for their supplies are completely out of the market.

Senator MILLIKIN. What is the remedy for that?

Mr. GARRISON. The remedy is to eliminate the wholesale limitation percentage.

Senator MILLIKIN. I have had complaints to that effect.

Mr. GARRISON. That is the simplest, quickest, fairest way of eliminating this inequity.

I just want to give you the magnitude of the inequity by these figures. Here are letters from 40 wholesalers [exhibiting documents]. One group of 9 wholesalers has been either cut off completely or had their supplies greatly reduced by a single manufacturer; and these wholesalers I happen to know pretty well, as to the size of them, what the probable number of customers is. And there are 13,500 retailers represented in that group of wholesalers who are now wholly out of the market so far as nylon hosiery is concerned.

The CHAIRMAN. Are they proposing any amendment?

Mr. GARRISON. We have been agitating this matter since last November when the regulation first went into effect. We have argued with Mr. Sells about it; we have brought it up to Mr. Baker, and Mr. Baker now is giving it serious consideration. We are hopeful that he will decide in our favor. But if he does not, the only way that

the 40,000 to 50,000 small retailers of the United States can get any nylon hosiery, until there is an oversupply of it, and the only way you can cover that is to amend the Price Control Act forbidding OPA to place any limitation on the percentage of goods sold by any seller to any buyer.

I think one other thing will interest you in that connection. This regulation comes from a branch of OPA from which have come several other regulations which have had to be terminated by act of Congress. The grade labeling provision which was contained in the original rayon hosiery regulation 339 in 1942 was drawn up in this same branch by the same people that drew up this one.

Senator MILLIKIN. There is a school of thought that believes that the wholesaler, jobber, and distributor are excrescences on the body politic?

Mr. GARRISON. Yes; and that belief seems to be quite prevalent in that particular branch. The same branch introduced the highest price line limitation on garments, which had to be thrown out by act of Congress.

Senator MILLIKIN. In other words, that is mixing political administration up with the business problem which they have before them?

Mr. GARRISON. It is a group of very sincere, honest young people that want to reshape the world nearer to their heart's desire. They are working in that direction. I cannot get mad with them. I know they are in earnest, but they seem to disregard the effect of these regulations on legitimate established business.

It is a conservative estimate to say at least 40,000 to 50,000—it is more likely to be 100,000. Small retailers will be deprived of any opportunity to secure nylon hosiery if this regulation continues.

We ask you seriously to consider an amendment to the Price Control Act that will prohibit OPA from channeling goods. That is a function of CPA which can be exercised as and when it is necessary to have it done.

Mr. SELLS. Mr. Chairman, I think it is important to make very clear one thing. I am sure that Mr. Garrison had no intension of creating the implication that we have any subversive element in the Apparel Branch or in any other part of the agency. I would like to state emphatically that every regulation that is issued has the approval of the Deputy Director, the Deputy Administrator and the Administrator and is in accordance with his instructions and his policy.

Mr. Lieberman is head of the Apparel Branch, and it might be well to have him state just what the considerations of this regulation are.

The CHAIRMAN. Very well, Mr. Lieberman. I have not heard of any subversive elements there.

Mr. LIEBERMAN. In the first place, of course it is clear that we are not out to change the methods of business. Certainly I would not consider that for a minute. I have to pass on everything that comes out of the branch. What we are doing in that regard is to reestablish the percentage which went to wholesalers in 1941, which was the last normal year; that is, the percentage of hosiery which went through wholesalers.

The reason for that is that in a dollars-and-cents regulation, such as the nylon hosiery regulation, the only way in which anyone can get any change in price is through the extra handling through the

custom in the industry. Hosiery going through retailers normally comes out at a somewhat higher price, and as result of having more hosiery go through retailers there grew up the rayon hosiery regulation. We do not want to pick on the wholesalers in any regard at all.

Senator MILLIKIN. I am getting quite a few complaints from dealers in my State that they just cannot get this stuff through the proper channels. How are we going to get at that and fix it up?

Mr. LIEBERMAN. We made a survey recently of about 60 to 65 percent of the hosiery production, from actual reports from manufacturers that must report to us how much hosiery they sold through wholesalers and through retailers directly, and that indicated, I think, the most serious cause. We have a shortage. Shipments of nylons by manufacturers during this quarter declined by 60 percent over the hosiery shipments in 1941. That is the main trouble. You have a terrific decline in production.

We also tabulated the amount which had gone through wholesalers and we found that the figure for 1941, for this large sample, 60 to 65 percent of the production, was 30 percent distributed through wholesalers; and our tabulation to date, because we are still getting returns, indicates that to date 28 percent also went through wholesalers. That is, of course, 28 percent of that vastly reduced supply. In other words, there had been a slight change, but we are prepared, if there is a comparable change, to allow enough tolerance so that the wholesaler can get his full amount in the base period.

Senator MILLIKIN. I think you fellows had better put your minds on that, because we are getting an increasing number of complaints on it.

Mr. SELLS. We have another report within another day or two.

The CHAIRMAN. When will that report be delivered?

Mr. SELLS. Mr. Baker is going over it, and we are examining the reports that are coming in.

Mr. GARRISON. I would like to make a comment on the remarks of Mr. Lieberman.

Anything I might say on this subject would naturally be biased. I am on the wholesalers' side of this matter. But here is an analysis of this regulation and its effect, made by the staff of one of the congressional committees, and this is the language of a congressional committee. It refers to the difficulty caused by the short supply of nylon hose, which is the point that Mr. Lieberman has been making. It says that these difficulties are much intensified and aggravated by the further reductions of wholesalers caused by the order which I have referred to, and that the little retailers are not only completely cut off when wholesalers who formerly served them were eliminated, but other small retailers are cut off when their wholesale supplier receive reduced allotments; that this shows little regard on the part of some manufacturers and wholesalers for the principle of equitable distribution, but the result is not the restoration of a normal pattern of distribution.

OPA claims that this is merely restoring the normal pattern of distribution that existed in 1941. Here is a congressional committee which says it is not restoring that normal pattern; that retailers are being deprived of one of the most important items in the dry goods business at the present time.

(The invoices referred to and submitted by the witness are as follows:)

National Distributors of General Merchandise

BUTLER BROS.

Chicago, St. Louis, Baltimore, New York, Minneapolis, Dallas, San Francisco
Randolph and Canal Streets, Chicago 80, Ill.

Date: April 29, 1946.

TERMS

Order No.: 1 2 1234.

Amount:

Folio:

X Y Z GENERAL STORE,
De Kalb, Ill.:

Stock shipments: 2% 10 E. O. M. net
30 days from discount date.

Bills after 25th of month as of first of
following month.

Interest charged on past due accounts.

In correspondence relating to this invoice,
mention order number and date of invoice.

Please Mail This Top Stub With Your Remittance

Date April 29, 1946		Route 1 2 1234		Butler Bros.	
L2	C481	1 only	Dripolator ¹		\$1.51
E1	B106	12 yards	Cambric	\$0.12½	1.47
G4	J317	1 dozen	Work pants WC		22.40
G5	L560FH	do	Boys' apron overalls YO		15.09
D6	A702	do	Cotton dresses MPR578-cotton		12.35
D4	H402	do	Bathing caps RC		2.25
G4	G140N	½ dozen	Shirts WS	13.57	6.79
W1	F180	1 only	Imported watch IW		16.97
C1	C117	1 dozen	Baby pants BP		2.83
K11	J221	do	Levels LT		7.17
Y1	R116	26 pounds	Candy HC	20%	5.33
K5	P184	1 only	Sauce pan HU		4.90
G4	T300	1 dozen	Work gloves WG		6.90
V1	R5-191	1 only	Velocipede MT		6.88
Y3	C132	1 carton	Cartridges A		5.76
K2C	K121	1 set	Auto seat covers AC		4.29
N4	RL526	1 only	Occasional chair LF(SF)		10.84
S1	G586	1 dozen	Fountain pens PP		18.75
K11	M217	do	Hammer T		3.12
K4	RA406	1 only	Oil stove KS		4.35
K11	RV616	1 dozen	Tool box AB		6.60
K4	RB215	1 only	Oil stove DC		4.15
K2	L1142	do	Oil can OC		.40
G2	E100	do	Men's raincoats NR		4.00
H1	D102	1 dozen	Women's anklets HR		1.39
K6	A405	10 only	Lamps SB	.05	.50
J1	5713/B	2 pairs	Cowboy boots SX	9.25	18.50
K1	A220	1 dozen	Teaspoons F		.51
E3	E715	30 yards	Damask TN	.62	18.60
H1	A105	do	Nylon hose NS	11.20	2.80
N6	653	1 only	Congoleum deluxe rug, 9 x 12 CI		5.42
			Less 10 percent		.54
N6	9221	do	Pabco stainless sheen guaranty rug, 9 x 12 PC		5.17
			Less 10 percent		.51
N6	87406V	62 square yards	Carpet, at \$2 per square yard		130.20
			Adjustment charge, 4½ percent		5.86
N6	87406V	40 square yards	Carpet, at \$2.50 per square yard		105.00
			Adjustment charge, 4½ percent		4.73
					109.73
					\$4.88
					4.66
					136.06

¹ Indicates a price increase of 2½ percent has been authorized by the OPA.

Some problems of pricing are still subject to clarification. The seller, in good faith, has used its best judgment in pricing merchandise on this invoice, however, it reserves the right, in the event it is determined that any such merchandise is not priced in compliance with applicable governmental regulations, to adjust any or all of these prices accordingly.

When we or our factories deliver goods to transportation companies in good order our responsibility ceases, and any claims for loss or damage should be taken up directly with the transportation companies. Claims of any other nature must be made within 5 days after receipt of goods.

The net selling prices of merchandise covered by MPR 127 or 102 do not exceed the maximum prices permitted thereunder.

ITEMS CODED "WC"—REVISED NOVEMBER 5, 1945

RETAIL CEILING PRICE LIST AS REQUIRED BY THE OFFICE OF PRICE ADMINISTRATION

(Group II—Retail ceiling prices for staple work clothing bought from Butler Bros., wholesale distributors)

NOTICE.—OPA requires that each garment must be marked with the retail ceiling price. A garment must not be sold above the ceiling price, but may be sold for less. This list must be promptly displayed to any person on request during regular business hours.

The retail ceiling prices indicated in the list are those provided in the tables in appendix C of RMPR 208. However, under that regulation, you may be required to sell at a lower price on the basis of the procedure outlined in section 4.4. Accordingly, you should ascertain whether section 4.4 of RMPR 208 is applicable to your case before selling at the prices indicated on this list.

Copies of RMPR 208 can be obtained from your nearest OPA office.

The retail ceiling price indicated in this column must be the ceiling prices listed in the appropriate table in appendix C, based on the wholesaler's net selling price, and reflect the differentials allowed for shipments between the "East and Central" and the "Mountain and Pacific" regions.

Butler Bros. stock No.	Description	Wholesalers net ceiling price per dozen, East and Central	Group II--Retail ceiling price per garment, East and Central	Wholesalers net ceiling price per dozen, Moun- tain and Pacific	Group II--Retail ceiling price per garment, Moun- tain and Pacific
G4-J101	Men's 3.24-weight sanforized poplin shirt	\$15.88 LD	\$2.00 LD		
J111	Men's 2.85-weight work shirt jean	13.90	1.76	\$14.15	\$1.79
J114/2	Sanforized 2.85-weight jean shirt	15.19	1.92	15.44	1.95
J121	Sanforized 8.2 carded Army twill shirt	23.37	2.95		
J122	do	24.60 LB	3.11 LB	24.85 F	3.14 F
J124/1	Men's 3.24-weight sanforized poplin shirt	23.85 D. S.	3.01 D. S.	24.10 D. S.	3.04 D. S.
J124/6	do	15.48 C	1.95 C		
J125/1	Men's 3.74-weight sanforized poplin shirt	15.48 M	1.95 M		
J126/1	Men's 3.35-weight sanforized subpoplin	14.17	1.79	14.85	1.87
J128/1	Men's shirt sanforized shirunk oxford cloth	17.05	2.15	14.41	1.82
J131/2	Men's sanforized 6-ounce-weight shirt	16.61 D. S.	2.10 D. S.	17.35	2.19
J133/2	Medi slub shirt	24.60	3.11	16.91 D. S.	2.14 D. S.
J135/2	Men's sanforized poplin shirt	23.85 D. S.	3.01 D. S.		
J136/1	Men's sanforized 2.85-weight jean shirt	16.70	2.11	16.95	2.14
J136/2	do	16.46	2.08	16.66	2.11
J140/1	Men's sanforized 6-ounce carded yarn twill	15.93 D. S.	2.01 D. S.	16.17	2.05
J140/2	do	15.58	1.96		
J141	Men's carded twill work shirt	15.88	1.96	15.83	1.99
J143/2	Men's 2.85-weight sanforized poplin work shirt	20.34	2.57	20.34	2.57
J145/2	Men's work shirts sanforized twill	20.34	2.57	20.34	2.57
J147/2	Men's 8.2-weight sanforized Navy twill work	19.06	2.40		
J148/2	Men's 8.2-ounce-weight twill work shirt sanforized	18.38 D. S.	2.32 D. S.		
J149/2	Men's carded twill work shirts	16.46	2.08	16.71	2.11
J152/2	Men's work shirt 8.2-ounce-weight twill sanforized	25.40	3.20		
J153	Men's work shirt 2.85-weight jean H. B. W	24.01	3.03	24.26	3.06
J154	do	25.30	3.19	25.55	3.22
J300/1	Men's work pants 2.50-weight drill	25.48	3.19	25.97	3.27
J300/2	do	24.09 D. S.	3.04 D. S.	24.50	3.09
J314/2	Men's 2.50-weight sanforized twill pants	22.80	2.87	23.05	2.91
J315	Men's work pants 2.50-weight H. B. W	17.50	2.21		
J316	Men's work pants 2.50-weight drill	17.20	2.17	17.45	2.20
J317	do	19.20	2.42		
J321	Men's 8.2 sanforized Army twill pants	19.20	2.42	19.70	2.48
J321/2	Men's work pants 8.2-ounce-weight twill	19.11	2.41	19.55	2.46
J322	Men's 8.2 sanforized Army twill pants	22.10	2.79	22.60	2.85
J323	Men's type 1 8.2 Army twill work pants	23.20	2.92	23.70	3.00
J327/2	Men's Medi-slub work pants	22.40	2.83	22.90	2.89
		23.52	2.97		
		25.90	3.27	26.40	3.33
		25.89	3.27	26.40	3.33
		23.91	3.04		
		27.93 D. S.	3.52 D. S.		
		20.10	2.54	20.60	2.60
		19.10 D. S.	2.41 D. S.	19.60 D. S.	2.47 D. S.

J336/1	Men's 2.50 weight sanforized twill pants	19.45		2.45			
		19.11	D. S.	2.41	D. S.		
J336/2	do	19.45		2.45		19.94	2.52
		19.11	D. S.	2.41	D. S.	19.55	2.46 D. S.
J340/1	Men's 8.5-weight sanforized twill pants	24.50		3.09			
J340/2	do	24.50		3.09		24.99	3.15
J341/1	Men's heavyweight twill pants	26.26		3.31			
		25.48	D. S.	3.21	D. S.		
J341/2	do	26.26		3.31		26.75	3.38
		25.48	D. S.	3.21	D. S.	25.97	3.27 D. S.
J343	Men's 1.90-weight twill work pants	22.79		2.87			
		21.81	D. S.	2.75	D. S.		
J344/1	Men's 8.5-weight sanforized herringbone twill work pants	26.46		3.34			
		24.99	D. S.	3.15	D. S.		
J344/2	Men's work pants 8.5-weight H.B. twill	26.46		3.34		26.95	3.41
		24.99	D. S.	3.15	D. S.	25.48	3.21 D. S.
J345/1	Men's 8.5-weight sanforized herringbone twill work pants	23.37		2.95			
J345/2	do	23.37		2.95			
J346	Men's 8.5-weight sanforized sun tan twill pants	24.01		3.03		24.50	3.09
J347	Men's 8.2-weight sanforized sun tan twill pants	24.26		3.06		24.75	3.12
J348/2	Men's 8-2-weight sanforized twill work pants	26.90		3.40		27.40	3.46
		26.46	D. S.	3.34	D. S.	26.95	3.41 D. S.
J349/2	Men's carded twill sanforized pants	24.99		3.15		25.48	3.21
J352/2	Men's work pants 8.2-ounce-weight twill	22.70		2.86		23.20	2.92
J353	Men's work pants 2.50-weight twill H. B. W	23.20		2.92			
J354	do	22.40		2.83		22.90	2.89
J100/1	Men's work shirt 2.85-ounce-weight jean	15.20		1.92			
J100/2	do	15.20		1.92		15.45	1.95
J121/2	Men's work shirt 8.2-ounce-weight twill	24.60		3.11		24.85	3.14
		23.85	D. S.	3.01	D. S.	24.10	3.04 D. S.
J115	Men's work shirt jean weave	15.40		1.94		15.65	1.97
J117	Men's work shirt jean H.P. weave	15.40		1.94		15.65	1.97
N100FL	Men's 8-ounce sanforized denim bib overall (war model)	18.55		2.10		19.04	2.15
N100FJ	Men's 8-ounce sanforized denim bib overall	18.55	D. S.	2.06	D. S.		
N100FK	do	18.55	D. S.	2.06			
N101FL	do	18.55	D. S.	2.06			
N120J	Men's 8-ounce sanforized denim bib overall (war model)	20.09		2.22			
N120K	Men's 8-ounce sanforized denim bib overall	20.19	M	2.24			
N120L	do	20.48	M	2.28			
N120L	Men's 8-ounce sanforized denim bib overall (war model)	19.98	CLB	2.10		20.48	2.15
		19.98	CB	2.10			
N123J	Men's 8-ounce sanforized bib overall (war model)	18.55	CB-D. S.	2.10			
		19.98		2.10			
N125	do	18.55	D. S.	2.10			
		19.98		2.10			
N126	8-ounce sanforized denim bib overall (war model)	18.55	D. S.	2.10			
		15.09		1.76		15.43	1.80
N229	8-ounce sanforized denim overall pants	14.11		1.64		14.46	1.68
N130	Men's 8-ounce sanforized bib overall (war model)	20.68	D	2.30			
N131	do	19.36		2.15			
N132	do	19.06		2.12			
N140L	Men's 8-ounce sanforized denim bib overall	26.00		2.90		26.50	2.96

Butler Bros. stock No.	Description	Wholesalers net ceiling price per dozen, East and Central	Group II--Retail ceiling price per garment, East and Central	Wholesalers net ceiling price per dozen, Moun- tain and Pacific	Group II--Retail ceiling price per garment, Moun- tain and Pacific
N200FK	Men's 8-ounce sanforized denim bib overall	\$14.11 M	\$1.64		
N200FL	Men's 8-ounce sanforized denim band overall	14.11 CDLB	1.64	\$14.45 F	\$1.68
N220L	do	15.39	1.79	15.77	1.84
N221	Men's 8-ounce sanforized overall pants	14.90	1.74		
N223	Men's 9-ounce sanforized overall band	14.11 D. S.	1.64		
N228	do	14.90	1.74	15.09	1.80
N230	do	14.11 CB-D. S.	1.64		
N230	Men's 8-ounce sanforized overall pants	15.30	1.78		
N300FL	Men's 8-ounce sanforized overall coats (war model)	18.55	2.10	19.04	2.15
N320L	do	19.98	2.10	20.48	2.15
N330	do	19.06	2.12		
N331	do	19.36	2.15		
N332	do	19.06	2.12		
N340	Men's 8-ounce sanforized overall jacket	17.90	1.98		
N705	One-piece work suit, 8-ounce weight, sanforized covert	32.14	3.96	32.93	4.06
N706	One-piece work suit, 11-ounce weight, sanforized tent twill	46.55	5.85	47.04	5.94
N707	Men's work suit—8.5-ounce weight, sanforized	45.08 D. S.	5.70	45.57	5.76
N708	Men's 1-piece work suit, 2.50-weight, sanforized twill	37.00	4.66		
N709	Men's work suit, 8.5-ounce weight, herringbone twill, suntan	41.60	5.32	38.35	4.84
N710	Men's work suit, 8.5-ounce weight, herringbone twill, white	40.40	5.10	42.95	5.42
N711	Men's 1-piece work suit, 2.35 drill	38.60	4.86	41.15	5.20
N712	Men's 1-piece work suit, twill	39.20	4.84	39.35	4.95
F101FJ	Men's sanforized 3.90-weight chambray shirt	10.98	1.31	39.95	5.06
F101FK	do	10.98	1.31	11.22	1.34
F102J	do	11.30	1.35	11.22	1.34
F102K	do	11.30	1.35	11.54	1.37
F210	Men's 3.30-weight mill-finish covert shirt	11.07	1.34	11.54	1.37
F211	Men's sanforized 2.85-weight covert shirt	11.96	1.45		
K105	Men's sanforized 2.85-weight covert pants	14.36	1.77		
K111	Men's sanforized 1.65-weight covert pants	19.16	2.37		
K112	Men's sanforized 8-ounce weight covert pants	17.05	2.11	17.59	2.18
K126	11-ounce-weight sanforized twill work pants	25.28	3.19	25.77	3.25
K128	Men's 11-ounce-weight moleskin pants	28.85	3.39		
K134	Men's whip-cord work pants, sanforized	25.97	3.27		
K136	Men's 11-ounce sanforized whip-cord pants	19.40	2.40		
K137	Men's 1.45-weight sanforized whip-cord pants	20.48	2.53	20.97	2.59
K139	Men's heavy-weight twill work pants (moleskin pattern)	20.19	2.49	20.68	2.55
K142	do	26.95	3.41		
K148	Men's sanforized drill pants	23.18	2.92		
K149-5	Men's work pants, 1.65-weight covert	27.30	3.45	27.80 F	3.52
K151/5	Men's work pants, 8-ounce-weight covert	18.30	2.26		
K165	Men's 8.5-weight herringbone-twill, sanforized	21.50	2.65		
		27.30	3.45		

K154	Men's work pants, 9-ounce-weight twill, sanforized	21.00	2.65	20.50	2.59
K155	Men's 1.66-weight sanforized whip-cord pants	17.89	2.21	18.38	2.32
K159	Men's sultan sateen work pants	21.90	2.76	22.39	2.82
K170	Men's heavy-weight corduroy pants	32.34	4.10		
K180	Men's seersucker work pants, sanforized	22.80	2.87		
G5-J140	Boys' slacks	30.20	3.80	30.55	3.84
J141	do	30.20	3.80	30.55	3.84
J177	do	26.50	3.34	26.84	3.38
J280	Boys' slack suits	32.59	4.12	33.08	4.18
J352	Boys' pants	16.60	2.10	16.95	2.14
J355	Boys' slacks	17.89	2.26		
J381	Boys' pants	18.50	2.33	18.85	2.36
L121	Boys' work shirt	11.19	1.34	11.19	1.34
L122	do	11.10	1.33	11.10	1.33
L140G	Boys' work shirt 2.85-weight sanforized	12.35	1.55	12.50	1.57
L384/l	Boys' work pants	16.00	2.02	16.35	2.07
L385	do	16.60	2.10	16.75	2.12
L385G	Boys' work pants 2.50-weight	16.90	2.14	17.05	2.15
L389	Boys' work and play pants			18.00	2.27
L392	do	16.60	2.10	16.95	2.14
L394	Boys' work pants	16.70	2.11		
L395	do	17.80	2.25		
L396	do	17.10	2.16		
L397	do	16.70	2.11		
L398	do			18.80	2.37
L502FJ	Boys' 8-ounce sanforized blue-denim waist band	11.60	1.36	11.90	1.40
L560FH	Boys' overalls	10.78	1.26	11.27	1.31
L564G	Boys' 8-ounce denim overall sanforized	15.09	1.68	15.44	1.72
L565	Boys' 8-ounce sanforized bib overall	15.68	1.75		
L567	Boys' overalls	15.09	1.68	15.44	1.72
L568	do	14.80	1.72	14.80	1.72
L570	do	15.10	1.76	15.10	1.76
L624	do			13.90	1.76
L160	Boys' work shirt			15.20	1.90
F105	Men's sanforized chambray shirt	13.40	1.61	13.65	1.64
J138/1	Men's 2.75-weight poplin work shirt, sanforized	15.80	1.99		
J138/2	Men's 2.75-weight poplin work shirt, sanforized	15.80	1.99	16.05	2.02
J146/2	Men's work shirt, mercerized herringbone twill, sanforized	25.40	3.20		
K180	Seersucker work pants, sanforized			23.30	2.95
N709H	Men's work suit, 8.5-weight herringbone twill sultan	43.80	5.50	44.55	5.62
G5-L380	Boys' work pants			22.40	2.83
L381	do			22.40	2.83
L382	do			26.00	3.28
L387	do			22.60	2.85
L399	do			25.40	3.20
J386	Boys' wash slacks	24.40	3.08		
J390	do	22.80	2.87	23.15	2.91
G4-K115	Men's 1.65-weight sanforized covert work pants	18.80	2.32		
K135	Men's 1.66-weight sanforized whipcord work pants	18.20	2.25		

ITEMS CODED "YO" REVISED NOVEMBER 5, 1945

30-YARD MINIMUM BOYS' BIB OVERALLS

This notice is sent to you as required by appendix E of RMPR 208, which covers sales of certain boys' bib overalls. We have been allowed to price these overalls, lot No. G5-L560FJ under that appendix since they conform to the prescribed yardage requirements. Whether you are a wholesaler or retailer, this notice tells you how to find your maximum prices. You just be certain to follow the method set forth below in order to comply with the law.

HOW TO COMPUTE YOUR MAXIMUM PRICES

Take the highest price you charged for a boys' bib overall, which you delivered in March 1942, and divide that price by the net invoice cost of that garment to you. If you did not deliver any boys' overalls during March 1942, take the highest price you charged for men's bib overalls which you delivered during March 1942 and divide that price by the net invoice cost of that garment.

Multiply the percentage so obtained by the net invoice cost of the garment being priced. The resultant figure shall be the maximum price of the boys' overall being priced, but in no event shall the maximum price for a retailer be higher than \$1.61 a garment in the East and Central area (refers to sales in which the seller's place of business is in a State east of New Mexico, Colorado, Wyoming, Montana, and the following counties of Texas: Loving, Ward, Reeves, Peco, Brewster, Presidio, Jeff Davis, Culberson, Hudspeth, and El Paso) and \$1.64 a garment in the Mountain and Pacific area (refers to sales in which the seller's place of business is in the States or counties previously enumerated, or farther west). The maximum price for a wholesaler shall in no case be higher than \$14.88 per dozen for sales in the East and Central area and \$15.23 per dozen for sales in the Mountain and Pacific area.

"Net invoice cost" means the price on the face of the invoice less all discounts available, but adding transportation or delivery charges.

If you did not deliver any boys' or men's bib overalls during March 1942 your maximum price shall be:

Sales at wholesale:

\$14.88 per dozen in the East and Central area.

\$15.23 per dozen in the Mountain and Pacific area.

Sales at retail:

\$1.61 per garment in the East and Central area.

\$1.64 per garment in the Mountain and Pacific area.

The pricing method outlined above does not apply to special sales. Sections 3.3 and 4.5 of RMPR 208 tell you how to determine ceiling prices when there is a special sale.

[RC]

Pursuant to section (f) of order No. 117 to MPR 220 we are herewith notifying you of our maximum prices as wholesalers and of your maximum prices for sales at retail of the following full heart-shaped molded bathing caps with and without chin straps and made of natural and/or Buna-S rubber as follows:

Wholesalers' maximum prices per dozen, boxed

Aviator type (with chin strap) -----	\$4.60
Diver type (without chin strap) -----	4.10

Retailers' maximum prices

	<i>Your maximum price per cap is—</i>
(1) Aviator cap (with chin strap):	
If your net cost per dozen, boxed, is ¹ —	
\$3.78 or below -----	\$0.49
\$3.79 to \$4.20 -----	.54
Over \$4.20 -----	.59
(2) Diver cap (without chin strap):	
If your net cost per dozen, boxed, is ¹ —	
\$3.38 or below -----	\$0.43
\$3.39 to \$3.75 -----	.48
Over \$3.75 -----	.53

¹ Net cost may be defined as invoice cost not including freight, quantity discounts, and cash discounts.

[WS]

Maximum retail prices, cotton flannel shirts, RMPR No. 504

Butler Bros. stock No.	Description	Weight	Shrinkage	Retail ceiling price		Butler's wholesale ceiling price	
				East and Central	Mountain and Pacific	East and Central	Mountain and Pacific
G4-G139	Plaid (men's)	3.50	Unshrunk.	\$1.50		\$12.77	
G4-G140	do.	3 yards.	do.	1.61	\$1.64	13.00	\$13.26 F
G4-G140N	do.	do.	do.	1.67		13.57	
G4-G141	do.	7 ounces.	do.	1.93	1.96	15.57	15.82 F
G4-G141H	do.	do.	do.	1.93		16.20	
G4-G150	do.	do.	Sanforized	2.23	2.26	18.00	18.25
			Shrunk.				
G4-G151	do.	do.	do.	2.23		18.71	
G4-G300	Solid color (men's)	3 yards.	Unshrunk.	1.71		13.90	
G4-G411/1	Solid color twill domet (men's)	do.	do.	1.59	1.63	12.87	13.12
G4-G411/5	do.	do.	do.	1.59	1.63	12.87	13.12
G4-G420/1	do.	7 ounces.	Sanforized	2.16	2.19	17.48	17.73
			Shrunk.				
G4-G420/5	do.	do.	do.	2.16	2.19	17.48	17.73
G5-L261	Boys' plaid flannel shirt, in-and-outer.	3 yards.	Unshrunk.	1.25	1.26	10.03	10.28
G5-L263G	Boys' plaid flannel shirt, regular style.	4.50	do.	1.14		9.17	
G5-L265	Boys' plaid flannel shirt, in-and-outer style model.	3 yards.	do.	1.39	1.42	11.19	11.44

* CLBMD.

These prices do not exceed our maximum prices under section 9 of RMPR No. 499. The maximum prices for any sale of these watches to purchasers for resale are indicated on this invoice.

[LT]

NOTICE OF OPA ADJUSTMENT

Order No. 94 under second revise order No. A-3 under MPR 188 authorizes all sellers of the articles covered by this invoice to adjust their maximum prices, in effect prior to May 26, 1945, by adding no more than the exact dollar-and-cents amount of the adjustment charge appearing on this invoice, provided that the amount is separately stated on an invoice which contains this notice.

[BP]

In accordance with section 9 (c) of MPR 220, we are hereby furnishing the following notification:

Stock No.	Description	Maximum retail selling price
C1-C100	Baby pants	\$0.35 each, MD.
C1-C117	do.	\$0.39 each, F.
		\$0.39 each, CLBMD
C1-C125	do.	\$0.45 each, F.
C1-C142	do.	\$0.55 each, CB.
C1-C143A	do.	\$0.50 each, MD.
		\$0.50 each, CLBMD.
C1-C143B	do.	\$0.55 each, F.
		\$0.50 each, CLBMD.
C1-C186	do.	\$0.55 each, F.
		\$0.65 each, CBD.
C1-G126	Rubber crib sheets	\$0.69 each, LM.
		\$0.45 each, CLBMD.
C1-G170	do.	\$0.50 each, F.
		\$0.85 each, CLBMD.
C1-G374	Rubber crib sheeting	\$1 each, F.
		\$1 per yard, CLBMD.
		\$1.05 per yard, F.

1366 EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942

[HC]

The Office of Price Administration has established maximum prices for sales of this hard candy. Our billing is in accord with the prices so established. You are authorized to sell this candy at retail at prices not in excess of the following retailer's prices:

Bulk hard candy shipped from stock	Butler Bros. OPA maximum price	Retailer's maximum OPA price (cents)	Branch
YI-RF116.....	20½ cents delivered, prepaid.....	33	CLBD.
YI-RF117.....	do.....	33	MD.
YI-RF118.....	do.....	33	CLBMF.
YI-RF121.....	do.....	33	CM.
YI-RF135.....	do.....	33	CM.
YI-RF149B.....	do.....	33	CLM.
YI-RF166.....	do.....	33	M.
YI-RF119.....	23 cents delivered, prepaid.....	35½	C.
YI-RF145B.....	do.....	35½	LB.

[HU]

Zone I is that area of the following two in which a household aluminum cooking utensil is manufactured. The other area is zone II.

One area consists of the States of Washington, Oregon, California, Nevada, Utah, Idaho, Montana, Wyoming, Colorado, New Mexico, Arizona, and the following counties of Texas, El Paso, Hudspeth, Culberson, Jeff Davis, Presidio, Brewster, Terrell, Pecos, and Reeves.

The other area consists of the remaining counties of Texas, all the other States, and the District of Columbia.

Articles for which the retail ceiling price in the zone in which it is manufactured is 30 cents or less are not required to be tagged with retail ceiling price.

APPENDIX C

[WG—Revised November 13, 1945]

Retail ceiling price list for work gloves bought from Butler Bros. and which are covered by amendment No. 2 to Revised Maximum Price Regulation No. 506

(Notice.—Each pair of gloves must be marked with the ceiling price. A pair of gloves must not be sold above the ceiling price, but may be sold for less. This list must be promptly displayed to any person on request during regular business hours)

Department G4—Butler Bros. Stock No.	Mill No.	Description	Butler Bros. ¹ gross price	Butler Bros. net ceiling price	Table in appendix A of RMPR No. 506	Maximum retail ceiling price per pair
T300.....	8445.....	Leather palm gloves.....	\$7.04	\$6.90	14	\$0.78
T301.....	9445.....	do.....	7.65	7.50	.5	.84
T302.....	8647.....	do.....	8.48	8.32½	14	.94
T303.....	9647.....	do.....	9.10	8.92½	.5	1.00
T304.....	4644.....	Leather-faced gloves.....	7.16	7.02½	12	.79
T312.....	475B.....	Leather palm gloves.....	4.00	3.92½	12	.44
T313.....	31-320.....	do.....	8.37½	8.37½	24	.46
T312.....	4027.....	do.....	4.13	4.05	12	.46
T315.....	475.....	do.....	4.13	4.05	12	.46
T316.....	975.....	do.....	4.35	4.27½	12	.48
T318.....	875.....	do.....	4.25	4.17½	12	.47
T337.....	224.....	do.....	8.80	8.62½	14	.97
T340F.....	229.....	do.....	9.40	9.22½	15	1.04
T340-9F.....	224.....	do.....	8.80	8.62½	14	.97
T341.....	3130.....	do.....	7.04	6.90	14	.78
T342.....	3160.....	do.....	7.65	7.50	15	.84
T352.....	419.....	do.....	8.80	8.62½	15	.97
T353.....	420.....	do.....	8.18	8.02½	14	.90
T354.....	236.....	do.....	8.48	8.32½	14	.94
T355.....	334.....	do.....	8.08	7.92½	12	.89
W100.....	230.....	Husking gloves.....	2.11	2.07½	6	.23
W101.....	230B.....	do.....	2.09	2.05	6	.23

¹ Subject to Butler Bros. 2 percent discount.

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 1367

Retail ceiling price list for work gloves bought from Butler Bros. and which are covered by amendment No. 2 to Revised Maximum Price Regulation No. 106—Con.

Department G4—Butler Bros. Stock No.	Mill No.	Description	Butler Bros. ¹ gross price	Butler Bros. net ceiling price	Table in appendix A of RMPR No. 506	Maximum retail ceiling price per pair
W102	250	Husking gloves	\$2.36	\$2.32½	6	\$0.26
W103	270	do	2.60	2.55	6	.29
W161	770	Husking mittens	2.80	2.75	7	.31
W300	5031	Brown palm, white canvas back glove	2.98	2.92½	2	.33
W301	8031	do	3.36	3.30	2	.37
W302	9031	do	3.69	3.62½	2	.41
W400	2265	Chore gloves	2.93	2.87½	5	.32
W401	2265B	do	2.90	2.85	6	.32
W402	2265J	do	3.06	3.00	6	.34
W403	76	do	2.67	2.62½	8	.30
W500	8552	Canton flannel gloves	2.16	2.12	1	.24
W502	8532	White canvas gloves	1.88	1.85	1	.21
W503	8532B	do	1.85	1.82½	1	.20
W506	551	6-ounce canton flannel gloves	1.71	1.67½	1	.19
W508	533	White canvas gloves	1.88	1.85	1	.21
W522	512B	do	1.65	1.62½	1	.18
W525	533B	do	1.85	1.82½	1	.20
W540	5533	do	2.11	2.07½	1	.23
W560	5573	do	2.34	2.30	1	.26
W562	5574J	do	2.50	2.45	1	.28
W582	955	do	2.98	2.92½	1	.33
W600	36	Jersey gloves	2.16	2.12½	9	.24
W602	36B	do	2.11	2.07½	9	.23
W603	37	do	2.29	2.25	9	.25
W604	310	do	2.55	2.50	9	.28
W605	7701	do	1.42	1.40	11	.16
W606	334	do	1.73	1.70	11	.19
G1-J304	407	14-ounce Jersey gloves	3.03	2.97½	10	.33

¹ Subject to Butler Bros. 2 percent discount.

[MT]

Under MPR 188 order No. 4 under section 9 (0) we have adjusted our maximum prices as follows:

Stock No.	Description	Old ceiling	New ceiling
V1-RN185	Stake truck:		
	C	\$12.27	\$13.86
	L	12.47	14.06
	B	12.29	13.88
	M	12.66	14.24
	D	13.61	15.24
	F	14.32	15.91
V1-RJ181	Junior toy, No. 240, 12-inch velocipede:		
	C	5.95	6.88
	L	5.95	7.10
	B	5.95	7.29
	M	6.25	7.30
	D	6.25	7.85
	F	6.25	8.21
V1-RJ193	Junior toy, No. 241, 16-inch velocipede:		
	C	6.75	7.71
	L	6.75	7.97
	B	6.75	8.17
	M	6.95	8.19
	D	6.95	8.83
	F	6.95	9.25
V1-RJ195	Junior toy, No. 242, 20-inch velocipede:		
	C	7.50	8.61
	L	7.50	8.89
	B	7.50	9.13
	M	7.75	9.14
	D	7.75	9.86
	F	7.75	10.33
V1-RJ715	Kalamazoo, No. 01, 37-inch sled: B	17.25	22.35
V1-RJ726	Kalamazoo, No. 02, 41-inch sled:		
	C	20.02	26.09
	B	20.71	27.21
V1-RJ735	Kalamazoo, No. 03, 46-inch sled: C	24.25	29.75

1368 EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942

Stock No.	Description	Old ceiling	New ceiling
V11-M367.....	Kitchen cabinet:		
	C.....	\$11.39	\$11.72
	L.....	11.54	11.87
	B.....	11.37	11.70
	M.....	11.61	11.94
	D.....	12.30	12.64
V4-RN251.....	F.....	12.62	12.96
	South Bend, No. F436, doll carriage:		
	C.....	5.35	6.40
	L.....	5.35	6.55
	B.....	5.35	6.65
	M.....	5.35	6.70
V4-RN350.....	D.....	5.50	7.15
	F.....	5.50	7.30
	South Bend, No. C907, doll carriage:		
	C.....	5.50	5.80
	L.....	5.50	5.95
	B.....	5.50	6.05
V4-RN351.....	M.....	5.50	6.15
	D.....	5.50	6.60
	F.....	5.75	6.85
	South Bend, No. C919, doll carriage:		
	C.....	9.25	10.40
	L.....	9.25	10.70
	B.....	9.25	10.85
	M.....	9.25	11.00
	D.....	9.25	11.80
	F.....	9.60	12.20

You will determine your ceiling prices for sales at retail, by adding your "initial percentage mark-up" which you determined under MPR 210 to the new ceiling prices shown above.

M. C. POND,
J. A. DONALDSON.

[AC]

As a reseller you will determine your maximum prices on stock numbers: K2C-K120, K2C-K121, K2C-K123, K2C-K126, K2C-K127, K2C-K122, K2C-K124, K2C-K125, K2C-K128, and K2C-K129, under order No. 3 under order 4418 to MPR 188 according to the following section of this order:

Purchasers for resale of such articles, which the manufacturer has sold at adjusted maximum prices, shall determine their maximum resale prices, as follows:

(1) A purchaser for resale who delivered or offered for delivery during March 1942 an article which meets the definition of "most comparable commodity" contained in section 1499.3 (a) of the General Maximum Price Regulation, except that it need not be currently offered for sale, shall determine his maximum resale price by adding to his invoice cost the same mark-up which he had on that comparable article, according to the method and procedure set forth in that section.

The determination of a maximum resale price in this way need not be reported to the Office of Price Administration. However, each seller must keep complete records, showing all the information called for on OPA Form 620-759, with regard to how he determined his maximum resale price, for inspection by the Office of Price Administration, for so long as the Emergency Price Control Act of 1942, as amended, remains in effect.

(2) If a purchaser for resale cannot determine his maximum resale price under the above method, he shall apply to the Office of Price Administration for the establishment of his maximum resale price under section 1499.3 (c) of the General Maximum Price Regulation. Maximum resale prices established under that section will reflect the supplier's prices adjusted in accordance with this order.

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 1369

[LF]

Stock No.	Description	Unadjusted maximum prices	Stock No.	Description	Unadjusted maximum prices
N4-RG182	Wardrobe	\$25.93 C	N4-RL536	Occasional wing chair.	\$13.05 C
		25.69 L			12.97 L
		25.30 B			13.06 B
		26.16 M			13.24 M
		26.87 D			13.25 D
N4-RL525	Occasional chair	10.50 C	N4-RL537	Occasional chair	13.71 F
		10.44 L			10.97 C
		10.49 B			10.91 L
		10.63 M			11.00 B
		10.64 D			11.10 M
N4-RL526	do	10.86 F	N4-RL538	do	11.11 D
		10.84 C			11.31 F
		10.77 L			11.33 C
		10.83 B			11.25 L
		10.97 M			11.30 B
N4-RL527	do	10.97 D	N4-RL539	High back occasional chair.	11.44 M
		11.20 F			11.45 D
		11.18 C			11.67 F
		11.11 L			8.05 C
		11.17 B			8.01 L
N4-RL528	do	11.30 M	N4-RL540	Occasional rocker	8.04 B
		11.31 D			8.21 M
		11.53 F			8.23 D
		14.61 C			8.46 F
		14.53 L			8.53 C
N4-RL529	do	14.63 B	N4-RL541	High back occasional chair.	8.48 L
		14.78 M			8.51 B
		14.78 D			8.68 M
		15.25 F			8.70 D
		15.09 C			8.92 F
N4-RL530	do	15.00 L	N4-RL542	Occasional chair	7.71 C
		15.11 B			7.67 L
		15.12 M			7.72 B
		15.12 D			7.88 M
		15.72 F			7.89 D
N4-RL531	High back club rocker.	15.56 C	N4-RL543	Occasional rocker	8.12 F
		15.47 L			11.65 C
		15.59 B			11.58 L
		15.72 M			11.64 B
		15.72 D			11.77 M
N4-RL532	do	16.19 F	N4-RB351	Bathinette	11.78 D
		13.99 C			12.00 C
		13.91 L			8.19 C
		13.97 B			8.14 L
		14.25 M			8.17 B
N4-RL533	do	14.32 D	N4-RC814	Cocktail table	8.35 M
		14.99 F			8.36 D
		14.67 C			8.59 F
		14.58 L			6.53 L
		14.65 B			6.71 M
N4-RL534	Occasional wing chair.	14.92 M	N4-RC815	End table	9.84 C
		14.99 D			9.84 L
		15.65 F			10.07 M
		15.35 C			8.56 C
		15.26 L			8.53 L
N4-RL535	do	15.33 B	N4-RC816	Lamp table	8.65 M
		15.66 M			8.83 C
		15.91 D			8.82 L
		16.32 F			9.00 M
		12.10 C			6.97 L
N4-RL536	do	12.03 L	N4-RB354	Baby bathinette	7.00 M
		12.12 R			7.35 F
		12.50 M			14.34 C
		12.31 D			15.05 L
		12.78 F			15.40 B
N4-RL537	do	12.58 C	N4-RB151	Crib	15.44 M
		12.50 L			16.47 D
		12.59 B			16.56 F
		12.77 M			18.20 L
		12.78 D			18.69 B
N4-RL538	do	13.25 F	N4-RB155	do	18.72 M
		12.03 L			19.57 D
		12.12 R			6.81 B
		12.50 M			
		12.31 D			
N4-RL539	do	12.78 F	N4-RB354	Baby bathinette	
		12.58 C			
		12.50 L			
		12.59 B			
		12.77 M			
N4-RL540	do	12.78 D			
		13.25 F			

1370 EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942

[LF]—Continued

Stock No.	Description	Unadjusted maximum prices	Stock No.	Description	Unadjusted maximum prices
N4-RN201	Innerspring mattress.	\$26.16 C	N4-RL551	Occasional chair.	\$12.39 C
N4-RB350	Bathinette	6.51 C 6.53 L 6.47 B 6.71 M			12.29 L 12.62 B 12.56 M 12.43 D 13.24 F
N4-RL474	Platform rocker	15.96 C	N4-RL549	do	10.69 C 10.60 L 10.92 B 10.88 M 10.75 D 12.09 F
N4-RL473	do	15.41 C			4.73 C 4.92 L 23.72 C 23.61 L 23.51 B 24.30 M
N4-RL472	do	14.87 C	N4-RC767	Cocktail table	20.63 C 20.51 L 20.52 B 20.89 M
N4-RL471	do	14.33 C	N4-RF483	Chest	22.02 M 16.89 M 33.77 M 26.44 M 19.14 M
N4-RL470	do	13.78 C	N4-RF484	Bed	28.86 C 28.64 L 29.18 B 30.90 F 28.94 C 28.59 L 29.25 B 29.83 M 30.97 D 30.20 F 33.87 B 34.57 M 35.72 D 35.00 F 39.74 F 10.90 L 11.15 M 11.11 D 17.56 C 14.10 M 25.36 C 26.31 M 17.56 C
N4-RL469	do	13.24 C	N4-RF561	Chest of drawers	18.18 M 25.36 C 25.85 M 8.78 C 8.92 M
N4-RL468	do	12.97 C	N4-RF562	Bed	10.30 C 10.21 L 10.53 B 10.60 M 10.37 D 11.71 F 13.58 C 13.27 L 13.65 B 13.62 M 13.87 D 14.45 F 10.66 C 10.57 L 10.90 B 10.85 M 11.08 D 12.11 F 2.69 C 2.78 L 2.83 B 2.84 M 2.94 D 3.01 F 1.64 C
N4-RN309	Crib mattress	7.77 M	N4-RF563	Vanity	
N4-RB355	Baby bath	8.07 C 8.06 L 8.01 B 8.28 M 8.40 D	N4-RF564	Chest of drawers	
		10.65 C 28.05 D 14.18 C 14.49 L 14.85 B 14.53 M 14.98 D 15.48 F 20.25 C 19.76 L 19.94 B 19.66 M 19.72 D 20.22 F 15.84 C 15.95 L 16.18 B 15.93 M 15.93 D 16.06 F 16.48 M 11.31 F 11.72 F 15.37 C 15.23 L 15.72 B 15.47 M 15.60 D 16.02 F 14.78 C 14.90 L 15.13 B 14.89 M 15.03 D 15.44 F 21.23 D 19.80 C 20.07 L 20.45 B 20.08 M 20.43 D 21.04 F 27.40 D 16.36 F 14.49 C 14.36 L 15.16 B 14.83 M 15.28 D 15.78 F 25.94 D 2.48 M 7.56 C 12.38 C 19.83 L 19.78 L 11.58 L 11.90 B 11.85 M 11.72 D 13.06 F	N4-RF565	Bed	
N4-RC251	Lamp table		N4-RJ151	5-piece dinette set	
N4-RC561	Occasional table				
N4-RC787	Cocktail table		N4-RJ191	do	
N4-RF576	Bed				
N4-RC276	Lamp table		N4-RJ193	do	
N4-RC277	do		N4-RJ194	do	
			N4-RC259	Lamp table	
N4-RC280	do				
N4-RC286	do		N4-RM270	Box spring	
			N4-RN271	do	
N4-RC287	do		N4-RN202	Innerspring mattress.	
			N4-RN203	do	
N4-RC394	Step table		N4-RN316	Innerspring crib mattress.	
N4-RC459	Cocktail table		N4-RL502	Occasional chair	
N4-RC762	do		N4-RL504	Rocker	
N4-RC770	do				
N4-RC595	Occasional table		N4-RL522	Occasional rocker	
N4-RC576	Tier table				
N4-RK233	Chair		N4-R B325	Nursery chair	
N4-RC371	End table				
N4-RC605	Telephone set				
N4-RC218	Bed, full size				
N4-RC219	Bed, twin size				
N4-RL550	Occasional chair				

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 1371

[LF]—Continued

Stock No.	Description	Unadjusted maximum prices	Stock No.	Description	Unadjusted maximum prices
N4-RB327	Nursery chair	\$1.71 L 1.75 B 1.75 M 1.83 D 1.88 F	N4-RW203	Card table chairs	\$3.48 C 3.57 L 3.62 B 3.48 M 3.76 D 3.71 F
N4-RF581	Dresser	38.02 B	N4-RF591	Chest	26.93 C
N4-RF582	Vanity	50.17 B	N4-RF592	Bed	17.11 C
N4-RF583	Chestrobe	46.01 B	N4-RF593	Night stand	7.61 C
N4-RF584	Bed	30.95 B	N4-RF594	Bench	7.09 C
N4-RF585	Night table	11.90 B	N4-RG260	Bed	19.75 C
N4-RF586	Chair	6.75 B	N4-RH145	8-piece dining room suite	105.31 C
N4-RF587	Vanity chair	7.31 B	N4-RC823	Lamp table	4.85 L
N4-RF588	Chest	24.93 C 25.06 L 24.68 B 23.35 F 16.73 C	N4-RC824	Cocktail table	4.92 L 7.23 C 7.23 L 7.47 M 7.43 D 7.81 F 7.12 C
N4-RF589	Bed	16.73 C 16.82 L 16.56 M 15.60 F	N4-RC221	Lamp table	7.23 L 7.12 C 7.14 L 7.39 M 7.38 D 7.77 F 8.57 L 8.76 M
N4-RC346	End table	9.30 L 9.30 M 9.45 D	N4-RC316	End table	7.12 C 7.14 L 7.39 M 7.38 D 7.77 F 8.57 L 8.76 M
N4-RC800	do	2.08 M 2.05 D	N4-RB352	Baby bathinette	8.57 L 8.76 M
N4-RC801	Lamp table	2.08 M 2.05 D	N4-RB301	Nursery seat	1.71 C 1.72 L 19.29 M 3.35 C
N4-RC802	Coffee table	2.08 M 2.05 D	N4-RB157	Kiddie Koop crib	19.29 M
N4-RC803	Book trough and table	2.08 M 2.05 D	N4-RB311	DeLuxe nursery seat	3.35 C
N4-RC771	Nest of tables	25.82 M	N4-RL555	Occasional rocker	13.78 C 13.67 L 14.05 B 14.01 M 14.26 D 15.36 F 10.69 C 10.60 L 10.84 B 10.80 M 10.67 D 12.00 F
N4-RF481	Dresser	30.46 C 30.84 L 29.95 B 31.56 M 32.08 C 32.37 L 31.34 B 32.96 M 6.76 C 6.83 L 6.64 B 6.89 M	N4-RL553	do	11.06 C 10.97 L 11.30 B 11.25 M 11.47 D 12.51 F 6.66 C 6.72 L 6.83 B 6.48 M 6.91 D 7.48 F 7.77 C 7.90 B 7.23 C 7.23 L 7.47 M 7.43 D 7.81 F 9.24 L 9.62 D 10.20 F 7.23 C 7.26 L 7.51 M 7.65 D 8.03 F 8.91 F 9.40 F
N4-RF482	Vanity	30.46 C 30.84 L 29.95 B 31.56 M 32.08 C 32.37 L 31.34 B 32.96 M 6.76 C 6.83 L 6.64 B 6.89 M	N4-RL553	do	11.06 C 10.97 L 11.30 B 11.25 M 11.47 D 12.51 F 6.66 C 6.72 L 6.83 B 6.48 M 6.91 D 7.48 F 7.77 C 7.90 B 7.23 C 7.23 L 7.47 M 7.43 D 7.81 F 9.24 L 9.62 D 10.20 F 7.23 C 7.26 L 7.51 M 7.65 D 8.03 F 8.91 F 9.40 F
N4-RF485	Bench	6.76 C 6.83 L 6.64 B 6.89 M	N4-RL553	do	11.06 C 10.97 L 11.30 B 11.25 M 11.47 D 12.51 F 6.66 C 6.72 L 6.83 B 6.48 M 6.91 D 7.48 F 7.77 C 7.90 B 7.23 C 7.23 L 7.47 M 7.43 D 7.81 F 9.24 L 9.62 D 10.20 F 7.23 C 7.26 L 7.51 M 7.65 D 8.03 F 8.91 F 9.40 F
N4-RF486	3-piece bedroom suite	99.41 C	N4-RL553	do	11.06 C 10.97 L 11.30 B 11.25 M 11.47 D 12.51 F 6.66 C 6.72 L 6.83 B 6.48 M 6.91 D 7.48 F 7.77 C 7.90 B 7.23 C 7.23 L 7.47 M 7.43 D 7.81 F 9.24 L 9.62 D 10.20 F 7.23 C 7.26 L 7.51 M 7.65 D 8.03 F 8.91 F 9.40 F
N4-RF507	do	54.51 C 54.54 L 55.02 M	N4-RL553	do	11.06 C 10.97 L 11.30 B 11.25 M 11.47 D 12.51 F 6.66 C 6.72 L 6.83 B 6.48 M 6.91 D 7.48 F 7.77 C 7.90 B 7.23 C 7.23 L 7.47 M 7.43 D 7.81 F 9.24 L 9.62 D 10.20 F 7.23 C 7.26 L 7.51 M 7.65 D 8.03 F 8.91 F 9.40 F
N4-RG186	Chestrobe	25.71 M	N4-RL553	do	11.06 C 10.97 L 11.30 B 11.25 M 11.47 D 12.51 F 6.66 C 6.72 L 6.83 B 6.48 M 6.91 D 7.48 F 7.77 C 7.90 B 7.23 C 7.23 L 7.47 M 7.43 D 7.81 F 9.24 L 9.62 D 10.20 F 7.23 C 7.26 L 7.51 M 7.65 D 8.03 F 8.91 F 9.40 F
N4-RK205	Chair	5.65 C 5.69 L 6.03 M 6.26 D	N4-RB100	Baby bassinette	6.66 C 6.72 L 6.83 B 6.48 M 6.91 D 7.48 F 7.77 C 7.90 B 7.23 C 7.23 L 7.47 M 7.43 D 7.81 F 9.24 L 9.62 D 10.20 F 7.23 C 7.26 L 7.51 M 7.65 D 8.03 F 8.91 F 9.40 F
N4-RS134	Dinette chair	6.52 C 6.64 L 6.70 B 6.54 M 6.87 D	N4-RB100	Baby bassinette	6.66 C 6.72 L 6.83 B 6.48 M 6.91 D 7.48 F 7.77 C 7.90 B 7.23 C 7.23 L 7.47 M 7.43 D 7.81 F 9.24 L 9.62 D 10.20 F 7.23 C 7.26 L 7.51 M 7.65 D 8.03 F 8.91 F 9.40 F
N4-RN204	Innerspring mattress	20.41 C 21.08 L 20.51 B 21.37 M 16.03 C 16.77 L 16.29 B 16.93 M	N4-RC225	Night table	7.77 C 7.90 B 7.23 C 7.23 L 7.47 M 7.43 D 7.81 F 9.24 L 9.62 D 10.20 F 7.23 C 7.26 L 7.51 M 7.65 D 8.03 F 8.91 F 9.40 F
N4-RN205	do	20.41 C 21.08 L 20.51 B 21.37 M 16.03 C 16.77 L 16.29 B 16.93 M	N4-RC225	Night table	7.77 C 7.90 B 7.23 C 7.23 L 7.47 M 7.43 D 7.81 F 9.24 L 9.62 D 10.20 F 7.23 C 7.26 L 7.51 M 7.65 D 8.03 F 8.91 F 9.40 F
N4-RL503	Occasional chair	14.60 C 14.50 L 14.88 B 14.82 M 15.06 D 10.15 F 5.72 C 5.79 L 5.93 B 5.69 M 6.02 D 6.04 F	N4-RC341	End table	7.23 C 7.23 L 7.47 M 7.43 D 7.81 F 9.24 L 9.62 D 10.20 F 7.23 C 7.26 L 7.51 M 7.65 D 8.03 F 8.91 F 9.40 F
N4-RW109	Card table	5.72 C 5.79 L 5.93 B 5.69 M 6.02 D 6.04 F	N4-RC341	End table	7.23 C 7.23 L 7.47 M 7.43 D 7.81 F 9.24 L 9.62 D 10.20 F 7.23 C 7.26 L 7.51 M 7.65 D 8.03 F 8.91 F 9.40 F
			N4-RC348	Butterfly table	9.24 L 9.62 D 10.20 F 7.23 C 7.26 L 7.51 M 7.65 D 8.03 F 8.91 F 9.40 F
			N4-RC422	Coffee table	7.23 C 7.26 L 7.51 M 7.65 D 8.03 F 8.91 F 9.40 F
			N4-RC429	Cocktail table	8.91 F 9.40 F
			N4-RJ100	5-piece dinette set	50.71 C 52.07 L 51.84 M 50.07 D 52.15 F

1372 EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942

[LF]—Continued

Stock No.	Description	Unadjusted maximum prices	Stock No.	Description	Unadjusted maximum prices
N4-RF545	Chest	\$21.11 B 21.94 M 22.86 F	N4-RF607	Dresser	\$33.64 L
N4-RF546	Bed	15.75 B 16.41 M 17.13 F	N4-RV150	Chaisette	17.92 F
N4-RF548	Vanity	27.54 B 28.56 M 29.38 F	N4-RV151	Club chair	14.83 F
N4-RF550	Bench	4.77 B 4.93 M 5.11 F	N4-RV152	Ottoman	6.34 F
N4-RG122	Chest on chest	26.30 C 25.83 L 25.98 B 26.89 M 26.67 D 28.34 F	N4-RV153	2-passenger settee	24.00 F
N4-RH146	10-piece dining room suite	165.77 B	N4-RV154	X-leg barbecue set	17.93 F
N4-RL544	Occasional chair	11.01 L 11.19 M	N4-RV155	do	21.31 F
N4-RL545	Occasional wing chair	13.19 L 13.43 M	N4-RV156	X-leg end bench	2.86 F
N4-RL546	Occasional chair	11.46 L 11.64 M	N4-RV157	Straight end bench	2.86 F
N4-RF596	Lowboy	25.76 L	N4-RV159	Umbrella table	9.02 F
N4-RF597	Chest	34.44 L	N4-RV160	Coffee table	6.13 F
N4-RF598	Bed	16.56 L	N4-RV161	Double couch	29.87 F
N4-RF599	Chair	6.78 B	N4-RV162	Sand box	9.55 F
N4-RF600	Night table	10.82 B	N4-RV163	Adjustable back davenport	34.63 F
N4-RF601	Dresser	42.38 B	N4-RV164	Table for davenport	3.22 F
N4-RF603	Chestrobe	42.94 B	N4-RC814	Cocktail table	9.96 D
N4-RF604	Vanity chair	7.26 B	N4-RC815	End table	8.49 D
N4-RF605	Bed	30.57 B	N4-RC816	Lamp table	8.86 D
N4-RF606	Night stand	6.79 L	N4-RC817	Cocktail table	12.65 L
			N4-RF445	Vanity	34.40 L
			N4-RF446	Bed	19.37 L
			N4-RF447	Chest	27.30 L
			N4-RF448	Bench	5.38 L
			N4-RS308	Kitchen cabinet	17.76 B
			N4-RS309	do	24.37 B
			N4-RS310	do	25.79 B
			N4-RS311	Kitchen base	8.79 B
			N4-RS312	do	11.15 B
			N4-RS108	Chair	5.21 C
					5.25 L
					5.46 H
					5.33 D
					5.48 F
			N4-RG121	Chest	16.72 JB

M. C. POND,
J. A. DONALDSON.

[SF]

All prices on this invoice are at or below our ceiling prices to you for the quantities, terms, and conditions of this sale, as shown on our ceiling price statement filed with the Chicago regional office of the OPA, pursuant to section 16 of MPR No. —.

[PP]

Retail ceiling prices for fountain pens and mechanical pencils sold by Butler Bros.—
MPR No. 564

Butler Bros. stock No.	Manufacturers No.	Description	Maximum retail price
S1-G586	5200B	Fountain pen	\$2.41
S1-G554	831	De Luxe fountain pen	1.00
S1-G576	845	Zenith fountain pen	1.95
S1-G597	855	Pacemaker	2.75
S1-G798	45	Zenith fountain pen and mechanical pencil set	.80
	845		
S1-G200	77	Mechanical pencil	.20
S1-G250	P59	Arnold mechanical pencil	.29
S1-G231	75-80	Eagle mechanical pencil	.17
S1-G251	045C	American mechanical pencil	1.29
S1-G280	P100	Arnold mechanical pencil	.60
S1-G530/1	M59	Arnold fountain pen	.60
S1-G530/2	L59	do	.60
S1-G560	RL1	do	1.08
S1-G565	7005P	Stratford Conqueror fountain pen	.83
S1-G555	50	Conklin Ottawa pen	1.00
S1-G598	DN34	Conklin glider pen	2.78
S1-G570	1401	Permapoint fountain pen	1.50
S1-G285	1500	Mechanical pencil	.69
S1-G294	100	do	1.00
S1-G298	REL	do	1.50

¹ CLB only.

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 1373

[T]

Permitted price increases for the following numbers by order No. 1 to Supplementary Order No. 133:

Butler Bros. stock No.	Description	Butler Bros. former price	Permitted increases for resellers	Butler Bros. new ceiling prices	Branch
K11-M-217	Hammer	\$3.11	\$0.07	\$3.18	CLBM.
	do	3.26	.08	3.34	D.
K11-M-314	do	3.36	.08	3.44	F.
	Camp ax	4.40	.11	4.51	CLBM.
K11-M-315	do	4.65	.11	4.76	DF.
	do	6.17	.15	6.32	CLBM.
K11-M-364	do	6.47	.16	6.63	DF.
	Half hatchet	4.39	.11	4.50	CLBM.
K11-M-406	do	4.64	.11	4.75	DF.
	Ax	8.30	.20	8.50	CLB.
K11-M-406	do	8.55	.21	8.76	MD.
	do	9.25	.22	9.47	F.

[KS]

As a retailer under order No. 4D to supplementary order No. 119 you determine your ceiling prices as follows:

(a) Purchasers for resale of any of the articles in the lines of kerosene hot plates, kerosene ranges, and kerosene heaters manufactured by the United Stove Co., Ypsilanti, Mich., which the manufacturer has sold at the adjusted ceiling prices permitted by order L-6, under supplementary order No. 1019, shall determine their ceiling prices as follows:

(1) A purchaser for resale who delivered or offered for delivery during March 1942 an article which meets the definition of "most comparable article" contained in section 1499.3 (a) of the general maximum price regulation, except that it need not be currently offered for sale, shall calculate his ceiling price by adding to his invoice cost the same mark-up which he had on that comparable article, according to the method and procedure set forth in that section.

The determination of a ceiling price in this way need not be reported to the Office of Price Administration. Each seller, however, must keep complete records showing all the information called for by OPA Form 620-759 with regard to how he determined his ceiling prices, for so long as the Emergency Price Control Act of 1942, as amended, remains in effect.

(2) If a purchaser for resale cannot determine his ceiling price by the above method, he shall apply to the Office of Price Administration for the establishment of his ceiling price under section 1499.3 (c) of the general maximum price regulation. Ceiling prices established under that section will reflect the supplier's prices adjusted in accordance with this order.

[AB]

The maximum retail price of stock No. K11-RV616 is \$0.85.

[BC]

Pursuant to sec. 11C of MPR 64, we are herewith furnishing you with the following information:

Stock No.	Description	OPA industry reconversion increase	Stock No.	Description	OPA industry reconversion increase
K4-RB303	Gas heater	\$0.23	K4-RB318	Gas heater	\$0.48
K4-RB304	do	.25	K4-RB319	do	.55
K4-RB305	do	.31	K4-RB321	do	.64
K4-RB309	do	.36	K4-RB215	Oil heater	.1615
K4-RB311	do	.43	N5-RA110	Gas range	2.43
K4-RB313	do	.50	N5-RA111	do	3.00

[OC]

[Attachment]

Order No. 18 to supplementary order No. 94

Butler Bros. stock
No.Maximum
price

K2R1442----- Maximum retail price for this Navy fuel tank----- \$1.50

[NR]

Pursuant to paragraph (d) of order No. 79 to supplementary order No. 94, we are hereby notifying you that your maximum retail price for a single-breasted Navy raincoat, waterproofed black twill fabric, convertible collar, double-texture material combined by layer of polymerized or copolymerized vinyl resin suitably pigmented and plasticized is \$15.

Under paragraph (d) of order 79 to supplementary order No. 94 you as a retailer are required to attach to each of the above-described raincoats a tag or label which plainly states a selling price not in excess of \$15.

[HR]

STATEMENT OF OPA ADJUSTMENT CHARGE

The Office of Price Administration has permitted us to add the following adjustment charges to our ceiling prices on the following items one or more of which are billed on the attached invoices:

Stock No.	Old ceiling	Adjustment charge	New ceiling	Stock No.	Old ceiling	Adjustment charge	New ceiling
H1-D102-----	\$1.25	\$0.14	\$1.39	H1-D490-----	\$2.00	\$0.07	\$2.07
H1-D124-----	1.50	.14	1.64	H1-D491-----	2.00	.07	2.07
H1-D173-----	2.10	.14	2.24	H1-D492-----	2.00	.11	2.11
H1-D175-----	2.10	.14	2.24	H1-F121-----	2.10	.14	2.24
H1-D177-----	1.95	.11	2.06	H1-F122-----	2.10	.14	2.24
H1-D181-----	2.00	.14	2.14	H1-F186-----	1.53	.14	1.67
H1-D183-----	2.00	.14	2.14	H1-F191-----	1.75	.14	1.89
H1-D205-----	2.00	.14	2.14	H1-F286-----	1.53	.14	1.67
H1-D255-----	2.60	.07	2.67	H1-F291-----	1.75	.14	1.89
H1-D370-----	1.95	.11	2.06	H1-F320-----	1.25	.14	1.39
H1-D375-----	2.00	.07	2.07	H1-F330-----	1.50	.14	1.64
H1-D381-----	2.00	.11	2.11	H1-F335-----	1.80	.14	1.94
H1-D385-----	2.00	.11	2.11	H1-F337-----	1.80	.14	1.94
H1-D388-----	2.00	.11	2.11	H1-F340-----	2.05	.14	2.19
H1-D389-----	2.00	.11	2.11	H1-F400-----	1.95	.14	2.09
H1-D390-----	2.00	.11	2.11	H1-F401-----	1.68	.14	1.82
H1-D391-----	2.00	.11	2.11	H1-G250-----	2.50	.07	2.57
H1-D485-----	2.00	.11	2.11	H1-G251-----	2.50	.07	2.57

You may not increase your prices when you sell under the GMPR, nor may you include the amount of this adjustment charge as a part of your net cost when you price under Maximum Price Regulation No. 580.

[SB]

Pursuant to approval No. 47 under section 7 of supplementary order No. 122, your maximum retail price for our stock No. K6-A405, new incandescent war surplus lamp, 25-watt, is 10 cents each.

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 1375

[SX]

The following adjusted ceiling prices are based on amendment 25 to SR14E:

NOTICES

We are directed by the Office of Price Administration to notify you that if your sales are governed by MPR 580, you may not include as part of your net cost any adjustment charge attached to this invoice.

If your sales are governed by the General Maximum Price Regulation, you may not increase your ceiling price properly computed under that regulation. If your sales are governed by MPR 210, you must follow the provisions of section 13 of that regulation.

Stock No.	Description	Old ceiling price	OPA adjusted charge (percent increase)	OPA adjusted charge	New ceiling price	
J1-4050	Boys' work shoes	\$2.30				
J1-4051	do.	2.20				
J1-5713/B	Cowboy boots	9.15	2½	\$0.18	\$9.25	
J1-5713/D	do.	9.15	2½	.18	9.25	
J1-5730/D	do.	7.65	2½	.16	7.76	
J1-5732/B	do.	7.65	2½	.16	7.76	
J1-5732/D	do.	7.65	2½	.16	7.76	
J1-5733/B	do.	7.65	2½	.16	7.76	
J1-5733/D	do.	7.65	2½	.16	7.76	
J1-4350	Boys' shoes	2.52	2½	.05	2.55	
J1-4878/C	Men's shoes	4.05	2½	.09	4.14	
J1-4878/E	do.	4.05	2½	.09	4.14	
J1-4678/C	do.	5.39	2½	.10	4.85	
J1-4678/E	do.	5.39	2½	.07	4.85	
J1-4741/C	do.	3.90	2½	.07	3.57	
J1-4741/D	do.	3.90	2½	.07	3.57	
J1-4741/EE	do.	3.90	2½	.07	3.57	
J1-4748/C	do.	4.20	2½	.07	3.57	
J1-4748/D	do.	4.20	2½	.07	3.57	
J1-4353	Boys' shoes	2.52	2½	.05	2.55	
J1-3432	Men's shoes	4.25	2½	.08	4.08	
J1-3434	do.	4.25	2½	.08	4.08	
J1-5711/B	Men's cowboy boots	9.05	2½	.18	9.23	
J1-5711/D	do.	9.05	2½	.18	9.23	
J1-5706/B	do.	8.48	2½	.17	8.65	
J1-5706/D	do.	8.48	2½	.17	8.65	
J1-4099	Boys' shoes	2.05	2½	.05	2.10	
J1-4859/A	Men's shoes	6.52	2½	.13	6.65	
J1-4859/B	do.	6.52	2½	.13	6.65	
J1-4859/C	do.	6.52	2½	.13	6.65	
J1-4859/D	do.	6.52	2½	.13	6.65	
J1-4854/A	do.	5.94	2½	.13	6.07	
J1-4854/B	do.	5.94	2½	.13	6.07	
J1-4854/C	do.	5.94	2½	.13	6.07	
J1-4854/D	do.	5.94	2½	.13	6.07	
J1-4855/A	do.	5.95	2½	.13	6.08	
J1-4855/B	do.	5.95	2½	.13	6.08	
J1-4855/C	do.	5.95	2½	.13	6.08	
J1-4855/D	do.	5.95	2½	.13	6.08	
J1-4856/B	do.	6.21	2½	.13	6.34	
J1-4856/C	do.	6.21	2½	.13	6.34	
J1-4856/D	do.	6.21	2½	.13	6.34	
J1-4850/B	do.	6.00	2½	.15	6.15	
J1-4850/C	do.	6.00	2½	.15	6.15	
J1-4850/D	do.	6.00	2½	.15	6.15	
J1-4851/B	do.	6.21	2½	.16	6.37	
J1-4851/C	do.	6.21	2½	.16	6.37	
J1-4851/D	do.	6.21	2½	.16	6.37	
J1-4853/B	do.	5.81	2½	.12	5.93	
J1-4853/C	do.	5.81	2½	.12	5.93	
J1-4853/D	do.	5.81	2½	.12	5.93	
J1-4857/B	do.	6.10	2½	.13	6.23	
J1-4857/C	do.	6.10	2½	.13	6.23	
J1-4857/D	do.	6.10	2½	.13	6.23	
J1-4857/E	do.	6.10	2½	.13	6.23	
J1-4857/EE	do.	6.10	2½	.13	6.23	
J1X F-5850	Men's Wellington boots	13.50	2½	.29	13.79	
J1X F-5851	do.	13.50	2½	.29	13.79	
J1-494D	Women's house slippers:					
	L	2.04	2½	.05	{	2.05
	B	2.05				
J1-494E	Women's house slippers:					
	L	2.14	2½	.05	{	2.15
	B	2.15				

1376 EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942

Stock No.	Description	Old ceiling price	OPA adjusted charge (percent increase)	OPA adjusted charge	New selling price
J1-875	Children's house slippers:				
	L	\$1.88	} 2½	\$0.05	\$1.90
	B	1.87			
J1-277	Women's house slippers:				
J1-228	L	1.09	} 2½	.03	{ 1.10
J1-229	B	1.07			
J1-578	Men's house slippers:				
J1-579	L	2.22	} 2½	.06	{ 2.25
	B	2.22			
J1-4745/C	Men's shoes	4.20	2½	.07	3.77
J1-4745/D	do.	4.20	2½	.07	3.77
J1-5814	Cowboy boots	7.74	2½	.16	7.90
J1-5720/B	do.	9.07	2½	.18	9.23
J1-5720/D	do.	9.07	2½	.18	9.23
J1-4405	Boys' dress shoes	3.75	2½	.07	3.42
J1-4406	do.	3.75	2½	.07	3.42
J1-4411/D	Boys' shoes	3.15	2½	.06	3.01
J1-4740/C	Men's shoes	3.90	2½	.07	3.57
J1-4740/D	do.	3.90	2½	.07	3.57
J1-4412/D	Boys' shoes	3.15	2½	.06	3.01
J1-6170	Mocassin vamp high shoe	2.55	2½	.06	2.16
J1-5815	Cowboy boots	7.79	2½	.16	7.90
J1-4747/C	Men's shoes	4.20	2½	.07	3.57
J1-4747/D	do.	4.20	2½	.07	3.57
J1-5114	do.	2.75	2½	.05	2.70
J1-5118	do.	3.10	2½	.06	2.91
J1-5112	do.	3.10	2½	.06	3.01
J1-5113	do.	2.75	2½	.05	2.80
J1-5116	do.	3.10	2½	.05	2.91
J1-5115	do.	3.10	2½	.06	2.96
J1-4415	Boys' shoes	3.15	2½	.06	3.15
J1-5260	Men's sandals	2.31	2½	.05	2.32
J1-300	Women's house slipper	1.62	2½	.01	1.65
J1-301	do.	1.62	2½	.04	1.65
J1-437	Women's house slipper:				
	L	.76	2½	.02	.77
	B	.75	2½	.02	.77
J1-438	Women's house slipper:				
	L	.76	2½	.02	.77
	B	.75	2½	.02	.77
J1-6144-A A	Men's shoes	6.47	2½	.14	6.59
J1-6144-A	do.	6.47	2½	.14	6.59
J1-6144-B	do.	6.47	2½	.14	6.59
J1-6144-C	do.	6.47	2½	.14	6.59
J1-6144-D	do.	6.47	2½	.14	6.59
J1-6144-E	do.	6.47	2½	.14	6.59
J1-6142-A A	Men's dress	6.13	2½	.13	6.23
J1-6142-A	do.	6.13	2½	.13	6.23
J1-6142-B	do.	6.13	2½	.13	6.23
J1-6142-C	do.	6.13	2½	.13	6.23
J1-6142-D	do.	6.13	2½	.13	6.23
J1-6142-E	do.	6.13	2½	.13	6.23
J1-6112-A A	Men's shoes	6.24	2½	.13	6.33
J1-6112-A	do.	6.24	2½	.13	6.33
J1-6112-B	do.	6.24	2½	.13	6.33
J1-6112-C	do.	6.24	2½	.13	6.33
J1-6112-D	do.	6.24	2½	.13	6.33
J1-6112-E	do.	6.24	2½	.13	6.33
J1-6102-A A	do.	6.07	2½	.13	6.18
J1-6102-A	do.	6.07	2½	.13	6.18
J1-6102-B	do.	6.07	2½	.13	6.18
J1-6102-C	do.	6.07	2½	.13	6.18
J1-6102-D	do.	6.07	2½	.13	6.18
J1-6102-E	do.	6.07	2½	.13	6.18
J1-6625-A A	do.	6.66	2½	.14	6.74
J1-6625-A	do.	6.66	2½	.14	6.74
J1-6625-B	do.	6.66	2½	.14	6.74
J1-6625-C	do.	6.66	2½	.14	6.74
J1-6625-D	do.	6.66	2½	.14	6.74
J1-6625-E	do.	6.66	2½	.14	6.74
J1-6625-EE	do.	6.66	2½	.14	6.74
J1-6625-EEE	do.	6.66	2½	.14	6.74
J1-6101-A A	do.	6.07	2½	.13	6.18
J1-6101-A	do.	6.07	2½	.13	6.18
J1-6101-B	do.	6.07	2½	.13	6.18
J1-6101-C	do.	6.07	2½	.13	6.18
J1-6101-D	do.	6.07	2½	.13	6.18
J1-6101-E	do.	6.07	2½	.13	6.18
J1-5714-B	Cowboy boots	9.15	2½	.18	9.25
J1-5714-D	do.	9.15	2½	.18	9.25
J1-3435	Men's work shoes	4.25	2½	.09	4.29

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 1377

Stock No.	Description	Old ceiling price	OPA adjusted charge (percent increase)	OPA adjusted charge	New selling price
J1-8199	Little gent's work shoes	\$1.95	2½	\$0.05	\$2.00
J1-5718-B	Cowboy boots	9.51	2½	.19	9.65
J1-5718-D	do	9.51	2½	.19	9.65
J2-9718	Women's shoes:				
	L	2.99	2½	.07	3.03
J2-9719	B	2.96	2½	.07	3.03
J2-9777	Women's shoes, L	2.61	2½	.07	2.65
J2-9778	Women's shoes, B	2.60			2.65
J2-9516	Women's shoes:				
	L	3.05	2½	.08	3.10
J2-9517	B	3.05			
J2-9518					3.10
J2-1983A	Women's oxfords:				
	L	2.50	2½	.06	2.55
J2-1983C	B	2.50			
J2-2195C	Women's shoes:				
	L	2.60	2½	.07	2.65
J2-2195E	B	2.60			
J2-2195EEE					2.65
J2-9785	Women's shoes:				
	L	2.61	2½	.07	2.65
J2-9786	B	2.60			
J2-9779	Women's shoes:				
	L	2.61	2½	.07	2.65
J2-9781	B	2.60			
J2-9383	Women's shoes:				
	L	3.14	2½	.08	3.10
J2-9384	B	3.13			
J2-9385					3.10
J2-8381	Women's shoes:				
	L	2.35	2½	.06	2.38
J2-8382	B	2.32			
J2-8383					2.38
J2-9381	Women's shoes:				
	L	2.84	2½	.07	2.85
J2-9382	B	2.83			
J2-9712	Women's shoes:				
	L	2.85	2½	.07	2.85
J2-9723	B	2.85			
J2-9724	Women's shoes:				
	L	3.09	2½	.08	3.10
J2-9715	B	3.08			
J2-9716	Women's shoes:				
	L	2.97	2½	.07	3.03
J2-9717	B	2.96			
J2-2190C	Women's shoes:				
	L	2.60	2½	.07	2.65
J2-2190E	B	2.60			
J2-2191C					2.65
J2-2191E					
J2-8992B					
J2-8992D	Women's shoes:				
	L	4.29	2½	.11	4.30
J2-8992EE	B	4.29			
J2-8996A					4.30
J2-8996B					
J2-8996C	Women's shoes:				
	L	3.07	2½	.08	3.10
J2-9725	B	3.06			
J2-9726					3.10
J2-1976A	Women's oxfords:				
	L	2.50	2½	.06	2.55
J2-1976C	B	2.50			
J2-8385	Women's shoes:				
	L	2.36	2½	.06	2.38
J1-578	B	2.35			
J1-579	Men's house slippers:				
	L	2.22	2½	.06	2.25
J2-8264	B	2.22			
J2-9669A	Women's shoes:				
	L	2.25	2½	.06	2.30
J2-9669C	B	2.24			
J2-9483	Women's shoes:				
	L	3.60	2½	.09	3.65
J2-8386	B	3.60			
J2-9555	Women's shoes:				
	L	2.61	2½	.07	2.60
	B	2.59			
J2-8386	Women's shoes:				
	L	2.36	2½	.06	2.38
	B	2.35			
J2-9555	Women's shoes:				
	L	2.88	2½	.07	2.90
	B	2.86			

1378 EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942

Stock No.	Description	Old ceiling price	OPA adjusted charge (percent increase)	OPA adjusted charge	New selling price
J2-8991A	Women's shoes:				
J2-8991C	L	\$4.29	} 2½	\$0.11	\$4.30
J2-8991E	B	4.29			
J2-9775	Women's shoes:				
	L	2.63	} 2½	.07	{ 2.65
	B	2.61			
J2-8260	Women's shoes:				
	L	2.31	} 2½	.06	{ 2.30
	B	2.30			
J2-9776	Women's shoes:				
	L	2.61	} 2½	.07	2.65
	B	2.60			
J2-9489	Women's shoes:				
J2-9488	L	2.70	} 2½	.07	{ 2.80
J2-9487	B	2.77			
J2-8261C	Women's shoes:				
	L	2.34	} 2½	.07	2.38
	B	2.32			
J2-9332	Women's shoes:				
J2-9333	L	2.56	} 2½	.06	2.55
J2-9334	B	2.55			
J2-8229C	Women's shoes:				
	L	2.41	} 2½	.06	2.45
	B	2.39			
J2-9489	Women's shoes:				
J2-9488	L	2.70	} 2½	.07	2.80
J2-9487	B	2.77			
J2-9776	Women's shoes:				
	L	2.61	} 2½	.07	2.65
	B	2.60			
J2-9787	Women's shoes:				
	L	2.63	} 2½	.07	2.65
	B	2.61			
J2-9788	Women's shoes:				
	L	2.63	} 2½	.07	2.65
	B	2.61			
J2-9789	Women's shoes:				
	L	2.63	} 2½	.07	2.65
	B	2.61			
J2-9556	Women's shoes:				
	L	2.88	} 2½	.07	2.90
	B	2.86			
J2-9728	Women's shoes	3.07	2½	.08	3.10
J3-7729	Patent T strap shoes	1.43	2½	.04	1.34
J3-7737	White T strap shoes	1.30	2½	.03	1.33
J3-7902	Patent T strap shoes	1.58	2½	.04	1.56
J3-7906	White T strap shoes	1.58	2½	.04	1.56
J3-8043	Brown barefoot sandal	1.67	2½	.04	1.54
J3-8044	White barefoot sandal	1.67	2½	.04	1.54
J3-8069	Brown Ghillie oxford	2.25	2½	.06	2.02
J3-8070	White Ghillie oxford	2.25	2½	.06	2.02
J3-7958	Brown Ghillie oxford	2.25	2½	.06	2.02
J3-7950	Brown barefoot sandal	2.30	2½	.06	2.02
J3 8057	do	2.40	2½	.06	2.02
J3-8164	Brown scuff tip oxford	2.50	2½	.06	2.02
J3-8167	Brown and white shield tip oxford	2.30	2½	.06	2.02
J3-8165	Black scuff tip oxford	2.50	2½	.06	2.02
J3-7953	White and brown saddle oxford	2.35	2½	.06	2.02
J3-8050	do	2.35	2½	.06	2.02
J3-8170	Brown moccasin vamp high shoe	2.55	2½	.06	2.26
J3-7957	do	2.55	2½	.06	2.06
J3-8153	Brown moccasin vamp oxford	2.30	2½	.06	2.02
J3-8067	do	2.30	2½	.06	2.02
J3-7962	do	2.30	2½	.06	2.02
J3-7974	Army russet high shoe	2.55	2½	.06	2.06
J3-7975	Black high shoe	2.55	2½	.06	2.06
J3-7952	White high shoe	2.55	2½	.06	2.06
J3-7954	Patent high shoe	2.30	2½	.06	2.26
J3-8084B	Army russet high shoe	2.40	2½	.06	2.06
J3-8084D	do	2.55	2½	.06	2.06
J3-8085	Black high shoe	2.55	2½	.06	2.06
J3-7968	Army russet scuff shield oxford	2.30	2½	.06	2.02
J3-8052	Misses' brown oxford	2.40	2½	.06	2.02
J3-7966	Children's russet oxford	2.30	2½	.06	2.02
J3-7967	Children's black oxford	2.30	2½	.06	2.02
J3-7970	Children's white oxford	2.25	2½	.06	2.02
J3-7971	Children's patent oxford	2.25	2½	.06	2.02

Stock No.	Description	Old ceiling price	OPA adjusted charge (percent increase)	OPA adjusted charge	New selling price
J3-7735	White sandal	\$1.30	2½	\$.03	\$1.23
J3-7736	Brown sandal	1.30	2½	.03	1.23
J3-7904	White sandal	1.58	2½	.04	1.44
J3-8011	White strap sandal	1.95	2½	.05	1.85
J3-8012	Turftan strap sandal	1.95	2½	.05	1.85
J3-8059	Brown loafer	2.35	2½	.06	2.02
J3-8060	Brown and white loafer	2.35	2½	.06	2.02
J3-8047	Brown oxford	1.55	2½	.04	1.51
J3-7728	White Roman highshoe	1.35	2½	.03	1.38
J3-7960	White sandal	2.25	2½	.06	2.02
J3-8068	do	2.25	2½	.06	2.02
J3-8046	Brown moccasin vamp oxford	1.55	2½	.04	1.51
J3-7952	White high shoe	2.55	2½	.06	2.16
J3-7954	Patent high shoe	2.30	2½	.06	2.16
J3-7974	Brown high shoe	2.55	2½	.06	2.16
J3-7975	Black high shoe	2.55	2½	.06	2.16
J3-8084	Brown high shoe	2.55	2½	.06	2.16
J3-8085	Black high shoe	2.55	2½	.06	2.16
J3-8062	Brown and white oxfords	2.35	2½	.06	2.02
J3-8168	Brown oxford	2.25	2½	.06	2.02
J3-7930	Moccasin vamp oxford	2.60	2½	.07	2.62
J3XB-8062	Brown and white oxford	2.35	2½	.06	1.91
J3-7999	Brown strap sandal	1.89	2½	.05	1.90
J3-8010	White open toe T strap	1.95	2½	.05	2.00

*** OPA shoe wholesale No. 602-6.

[F]

Pursuant to section (d) of Order 56 to Supplementary Order No. 119 we hereby notify you that as a purchaser for resale you shall determine your maximum prices as follows:

(1) If during March 1942 he delivered or offered for delivery an article of silver plated flatware which meets the definition of "most comparable article" contained in section 1499.3 (a) of the general maximum price regulation, except that it need not be currently offered for sale, and on which he has established an adjusted maximum price under either Order No. 226 or Revised Order No. 226 under Maximum Price Regulation No. 188 (adjustment on certain articles containing silver) he shall determine his maximum price on an article covered by this order according to the following steps:

Step 1. He shall determine the percentage of mark-up he has on that comparable article between his actual invoice cost (including the silver adjustment permitted by Order 226 or Revised Order 226) and his maximum price as adjusted under Revised Order No. 226.

Step 2. He shall apply the mark-up which he finds in step 1 above to his actual invoice cost of the article covered by this order. The result is his ceiling price for his sales of that article to the same class of purchaser as that to which the maximum price of the comparable article applied.

(2) If a purchaser for resale cannot determine his ceiling price under the above method, he shall apply to the Office of Price Administration for the establishment of his ceiling price under section 1499.3 (c) of the general maximum price regulation. Ceiling prices established under that section will reflect the supplier's prices adjusted in accordance with this order.

[TN]

STATEMENT OF OPA ADJUSTMENT CHARGE

The Office of Price Administration has granted us adjustments on the following items, one or more of which are billed on the attached invoice. The part of these adjustments which you are required to take into account in pricing under Maximum Price Regulation 580 (section 318.25) is stated separately as "wholesaler's OPA adjustment charge."

Stock No.	Old ceiling	Wholesalers OPA ad- justment charge	New ceiling
E3-E715	0.657 CLB .666 MD .676 F	0.068 .069 .069	\$0.725 CLB .735 MD .745 F
E3-E476	1.796 CLB	.164	1.98 CLB
E3-E477	2.34 CLB	.24	2.58 CLB
E3-E412	14.70 CLB	1.52	16.22 CLB
E3-E475	14.95 NDF	1.52	16.47 MDF
E3-E405	1.48 CLB	.14	1.62 CLB
E3-E723	17.15 CLB 16.89 F	1.65 1.63	18.80 CLB 18.52 F
E3-E722	.625 MD	.065	.69 MD
E3-E729	.625 F	.075	.70 F
E3-E596	.57 CLB 1.07 CB 1.91 CB	.053 .11 .19	.623 CLB 1.18 CB 2.10 CB

When you price under Maximum Price Regulation 580 you may not include the above-stated "wholesaler's OPA adjustment charge" as part of your "net cost."

[NS]

Qualified Wholesalers Registration No. W-2046.

[CI]

You, as a retailer, must determine your maximum retail prices for the above articles under section 5 or 6 of Order No. 4875 under section 9B of MPR 188.

Your unadjusted ceiling prices are listed in price list No. 51 for Congoleum-Nairn products, dated December 26, 1945.

[PC]

You as a retailer must determine your maximum resale prices for the above articles under section 5 or 6 of Order No. 4875 under section 9 (b) of MPR 188. Your unadjusted ceiling prices are those listed in price lists of Paraffine Companies, Incorporated, No. 32 for linoleum and felt base, dated October 23, 1942, and No. 12 for mastipave dated August 23, 1943.

The CHAIRMAN. Thank you very much, Mr. Garrison.

The committee will take a recess until 2:30 this afternoon. Senator Taylor will preside at that time.

(Whereupon, at 1:10 p. m., a recess was taken until 2:30 p. m. of the same day.)

AFTER RECESS

(The recess having expired, the committee met again at 2:30 p. m., and proceeded further with the hearing as follows:)

Senator TAYLOR (presiding). The committee will come to order, please. I have been requested by Senator Wagner to conduct the hearing this afternoon, and we have a long list of witnesses who would like to be heard. It is Senator Wagner's desire and the desire of all of us I am sure, to bring the hearings to a conclusion this afternoon if possible. This matter has dragged on for much longer than we anticipated. We do want everybody to have an opportunity to be heard, but if it is at all possible I would like to request all witnesses present this afternoon to condense their statements and tell us briefly and simply, and state their case as briefly as possible, in order that we may get through with these other witnesses. If some take all of the time, the

upshot of that may be that the others may not be heard at all, so in fairness to the other witnesses, who are just as anxious to be heard as the ones who appear first, we do hope we can conduct the hearings expeditiously and as briefly as possible. Our first witness is Mr. Arthur Clifford, who represents the Retail Lumber Dealers Association.

STATEMENT BY ARTHUR CLIFFORD, REPRESENTING THE NATIONAL RETAIL LUMBER DEALERS ASSOCIATION

Mr. CLIFFORD. My name is Arthur Clifford. I am vice president of The A. W. Burritt Co., of Bridgeport, Conn. I am here today, however, to try to give you the viewpoint of the thousands of lumber dealers situated all over the United States who are represented by the National Retail Lumber Dealers Association and its affiliated regional and State associations. There are over 25,000 of these dealers and I am certain that the statements that I have to make have the approval of the overwhelming majority of them.

We call ourselves retail lumber dealers because in the early days lumber was the principal commodity we handled. We have a tendency to think and talk in terms of lumber. The facts are, however, that even before the war most of us had increased our sales of other and newer items to a point where the total of these other items became a substantial amount of our total sales volume. However, since the situation with respect to most of these other items is relatively the same as on lumber, we are justified in using lumber as the best medium to express our difficulties. At the outset I want to point out to you that you will not find among those voicing objections to OPA rules the black market sawmill operator or the dealer who is buying from him and selling at black-market prices. They are getting along very nicely under the monopoly given them by OPA and I am making no objections to their position.

The retail lumber dealer who is complying with the regulations and their intent is slowly being put out of business by his black-market competitor, and his position is a desperate one. He is the one who is asking for relief—and he richly deserves it.

I have here copies of the testimony which this industry gave to the House Banking and Currency Committee in connection with its hearings on this subject, and on the assumption that the members of this committee will read it, I will not deal with the points covered in that testimony. It has the full endorsement of the industry, and I respectfully request that each member of this committee read it before making a decision.

(Copies of the pamphlet, entitled "Why Price Controls on Building Materials Should Be Eliminated," referred to by Mr. Clifford, were distributed to members of the committee.)

Mr. CLIFFORD. In that testimony you will find that the industry took the position that the only sure cure for the situation was the removing of OPA controls over lumber and building materials. In taking that position we did so in the firm belief that the price of building materials would drop below the black market price and also in the firm belief that it was impossible for the industry to work with the OPA to accomplish improvements in their regulations because:

(1) The OPA is far more interested in profit controls than it is in price controls, as evidenced by the absorption policy, both at production and distribution levels, as I will point out a little later;

(2) The OPA in its attempt to control profits has no regard for the small businessman as evidenced by the 75 percent bulk line theory and the absorption policy;

(3) The OPA, in dealing with its industry advisory committee, starts off with an assumption that businessmen are not to be trusted, as evidenced by its disregard of suggestions of the committees and by its total disregard of the crying, desperate calls for needed relief. This I will also mention later.

(4) The OPA firmly believes that it can prove once and for all that industry can pay higher wages and still market its products with a profit below the figure which it normally requires to induce people to invest in a business venture as evidenced by the 1936-39 base for determining profits.

How we wish we could—it would be Utopia—but it is just a sad, mad theory.

In general, my comments are limited to the absorption policy of the OPA and how it affects our industry.

Of the 25,000 building and supply dealers in the United States, according to the 1940 census, you have the following break-down: 12,700, or more than one half, are in communities with a population of less than 2,500 people; 2,358 are in communities with a population of from 2,500 to 5,000 people; 2,181 are in communities with a population of from 5,000 to 10,000 people; 1,805 are in communities with a population of from 10,000 to 20,000 people. In other words, 19,044 dealers serve communities of not over 20,000 people.

As you can see, the retail lumber and building material industry is a small business industry. For example, the 12,700 retailers in communities of less than 2,500 in 1939 had a total sales volume of \$416,000,000, or an average of \$32,756 each. Now the OPA says that between the period of 1936-39 the industry as an average made 2.7 percent profit on sales. This means that on the average these yards had an annual profit before taxes of \$884.41. However, let us assume that these yards made half again as good as the average for industry or 4.1 percent on sales. Before taxes, the average yards would have made \$1,342.99. With such a profit, would you say it was huge enough to qualify all 12,700 dealers as "robber barons"?

Now, let us see what this \$1,342.99 would have meant. You may be amazed to learn that slightly over 9,000 yards with a volume of \$32,756 in communities of less than 2,500 people are owned by a sole proprietor, and profit before taxes is not only a profit on the man's investment, but it is also his salary.

Let us take the most extreme and ridiculous situation we can think of and let us treat this proprietor as an unskilled laborer. Under the minimum wage law he could have made \$832 in 1939, so if he operated at the industry average profit, he made before taxes \$52.41 on his investment, or if he were fortunate to make half again as much as the industry average, he made the "tremendous" profit of \$510.99 on his investment. And remember this, gentlemen, 1939 was a fairly good business year. Lumber production in that year exceeded 25,000,000,000 feet and the retailer was the principal outlet for this lumber. On the basis of current trends we will be fortunate if production reaches 24,000,000,000 this year—and most of this is moving through the black market and not through the retailer. Now, let us see how the

OPA decided how the retailer could absorb—and pretty soon I will give specific instances of this absorption.

In a survey conducted by the Office of Price Administration the OPA claims that the industry in 1944 showed a profit before taxes of 6.7 percent on sales. If these small retailers had the same volume in 1946 as they had in 1939, which they positively do not, the retailer's profit based on the industry average would have been \$2,194.65. If that same retailer had one-half again as much as the industry average, his net income, before taxes, would have been approximately \$3,100. If you treated him as an unskilled laborer at 40 cents an hour on a 40-hour week, with an annual salary of \$832, he made \$1,362.65 on his investment. If he made one-half again better than the rest of the industry, he would have made \$2,268 on his investment—before taxes.

You will recognize that these are the most optimistic figures that you could possibly have drawn from the situation. Obviously, the \$832 minimum wage is a ridiculous figure to use for salary, especially today. However, the real distortion in the picture is that the OPA, in determining that lumber and building material retailers could stand absorption, made no allowance for depletion of inventories. Retail yards inventories in 1941 stood at 6,000,000,000 board feet. In January 1946 it was a little over 1,000,000,000 feet. In other words, the retail yards had liquidated 5,000,000,000 feet or \$250,000,000 worth of inventory. For taxing purposes, of course, it is profit, but it is a profit earned over a good many years. The largest liquidation occurred in 1944 and 1945, but assuming that it was equally apportioned, then \$50,000,000 worth of inventory was liquidated in 1944, the year that OPA made its survey. This is a vital fact not to lose sight of because it boosted the profit picture for that year.

As you can see, the profit position of dealers during 1944 is a completely distorted figure. The OPA study in 1944 showed that the operating costs of small yards was 17.8 percent of sales. From experience, large yards are much higher than that, and they are up to 31 percent. If between 1944 and today, the operating costs crept up 2 percent, the net profit of one of these small yards is reduced by \$755. If it crept up 3 percent, its reduction is \$982. And if it crept up 5 percent, its reduction is \$1,537.

There are two kinds of absorption. The first is the absorption imposed by the OPA directly—that is, where mill ceiling prices are increased but the retailer is not permitted to pass the increase on to the consumer. It is plain from the facts that a large majority of the industry is not able to bear this burden without going into a loss position. This is even truer when you consider the second type of absorption—namely, increased costs arising out of distortion in manufacturing practices and in distribution.

Before discussing the absorption imposed by the OPA directly, I would like to give you some specific examples of the second type of absorption which must be borne by retailers. You will note that most of these arise out of OPA pricing policies, and you should understand that when the OPA determines that retailers can stand direct absorption, these second types of absorption are not taken into consideration even though they equal or in some cases exceed the amount of absorption imposed by the OPA directly.

One of the principal items of lumber used for construction purposes is Douglas fir. Previous to ceiling prices, the bulk of this stock was shipped by the mills in a condition ready for use by the consumer—in other words the material to build a house, such as framing lumber, sheathing, boards, siding, flooring, and such things, was dressed or planed to the finished sizes and patterns. Due to the price structure set up by the OPA, lumber-producing mills ceased processing these items and made shipments in timbers and in rough condition.

Now, you doubtless know that timbers and rough lumber cannot be used for home construction, so it became necessary to find mills somewhere along the line that would finish the job. Such mills are called "transit mills" and we say that the material has a stop-over to be milled in transit. The retailer has to pay for these remanufacturing services but cannot charge more just because he has to pay more, so he must absorb the difference—an added cost of several dollars for each thousand feet. Here, you see, the dealer has to use as a cost basis a figure that is actually lower than his cost. Another point about Douglas fir—due to a combination of reasons connected with production, the only way a distributor can secure the stock is to accept shipments of random sizes and mixed grades. The custom of our industry is to buy one or two grades only in framing lumber—now we are obliged to accept several grades. Any one size in a grade comprises six to eight different grades at widely varying mill ceiling prices, and this makes it really tough.

Limitation in lumberyard space and shortage of labor qualified to grade the lumber makes it impossible to keep every grade in every size separated. The result is that the average retail distributor, under the OPA ceiling price provisions, is compelled to absorb in his cost an average of 2 to 3 dollars for each thousand board feet. This is because he has to dispose of the higher grades at the price level of lower grades. In this case it is not claimed that this is the fault of price structure, but the fact remains that the dealers are penalized. Theoretical margins of gross mark-ups are again cut and in this case it is on our principal quantity item. It might be claimed that the development of transit milling was due to labor shortage, but it takes more labor to remanufacture lumber along the route. Among other things you have to unload the car, pile it, sort it, then run it and again sort, pile, and reload the lumber on another freight car.

In handling species other than fir, the same conditions exist. In New England, for example, only a very small proportion of lumber-producing mills are equipped to manufacture finished products—so it has to be done "in transit" planing mills—also at higher prices. The distributor is compelled to use as his base cost a mill ceiling price that is from 3 to 4 dollars less than actual cost. Because fully 90 percent of the New England softwoods have to be remilled in transit we see once more a serious reduction in these theoretical gross mark-ups.

New York State hemlock framing has a price set up at \$3 a thousand higher than hemlock produced in the New England States, and again most of it has to be milled in transit, so when it is sold in New England, the dealers have to absorb from \$6 to \$7 a thousand. In other words, they must absorb the price differential of \$3 and the transit milling charges of \$3 to \$4, making a total of around \$7, which has to be absorbed by the retailer.

To give you another specific example, let us use the case of 2-inch by 4-inch framing lumber, always referred to as "2 by 4's." The price allowed by OPA for 2 by 4 northeastern softwoods is so low that the producers refuse to make them and manufacture in their place 2 by 8's at a higher price per thousand board feet. The retailer has to pay the higher rate for the 2 by 8's and out of his own pocket pay for the cost of reducing the 2 by 8's to 2 by 4's, and sell at the lower OPA 2 by 4 ceiling prices. These are all instances of absorption which the OPA refuses to acknowledge. These are financial hardships that are incurred by retailers as a result of unrealistic mill pricing. These are absorptions which retailers have been required to bear since the 1944 distorted cost survey of OPA—even before that in some cases.

Another absorption imposed on distributors because of pricing policies of OPA is the case of having to use as a base cost a price predicated on shipment from a specified basing point, which means that most of a dealer's lumber originates at a more distant point and so he has to absorb the higher freight differential. It is like the Government allowing you railroad-expense money from Philadelphia to Washington when you came from New York and paid your fare from New York.

A similar instance is where the retailer due to scarcity of stock has to buy green stock loaded with moisture which runs approximately 60 percent heavier than dry lumber, resulting in heavy freight charges that must be absorbed by the retailer.

I hope each of you understands that the absorptions I have been discussing up to this point are absorptions which have nothing to do with the OPA absorption policy. They are absorptions that the industry has had to bear since early 1944, but which the OPA takes no account of in determining whether the industry can afford to absorb increases granted to manufacturers and wholesalers. In other words, we might call the absorptions heretofore discussed as unrecognized absorptions, while the absorptions that I will discuss hereafter will be referred to as direct absorptions resulting from OPA's absorption policy.

The first example of direct absorption the retail distributor has to swallow is that portion of the commission on mill ceilings allowed to wholesalers which the OPA first unveiled in "Southern yellow pine ceilings" and later, on other softwoods and hardwood flooring.

The retail distributor has to depend quite largely on the wholesaler for his supply. The OPA grants the wholesaler of southern pine a 6 percent overage on mill ceilings. On a mill ceiling price of \$50 a thousand board feet, 6 percent equals \$3 a thousand. The retailer's costs thus become, for illustration, \$53, but the retailer has to absorb two-thirds of this \$3 addition and compute his mark-up on \$51 although he actually pays \$53.

The overage mark-up on softwoods and hardwood flooring granted by OPA to wholesalers is 5 percent on mill ceilings. The retailer has to absorb 60 percent of this. As an example, take hardwood flooring with a mill ceiling of \$90 a thousand. The retailer pays \$90 plus 5 percent—which is \$4.50—making a total of \$94.50. In computing his sales price he has to use as his base cost \$91.75 although the cost is actually \$94.50. When the OPA recently granted a long overdue and greatly needed advance to producers of oak flooring, the advance of 10 percent has to be paid by retailers but they cannot collect for it.

But, gentlemen, you haven't heard anything yet. Here follows the third phase of absorption. The OPA grants the producers of various species advances in their mill ceilings—and the dealer has to pay these advanced prices. But is he allowed to take the advanced prices he uses as his cost basis? No. Here the retailer takes the mill increase but must not pass it on to the consumer. Remember, gentlemen, this is over and above all the other absorptions required.

Let us talk handling costs—you would not expect to find absorption costs in lumber-handling charges. Dealers awakened from troubled dreams about the OPA one morning and found a price increase had been given producers of southern pine. We thought at first the boys from the OPA had become realistic all of a sudden because there seemed no call to absorb it—or so the industry thought. But what happened was this. Retailers, up to that point, in determining their sales prices, were allowed to add \$5 a thousand to cover handling charges. The OPA at this point reduced this handling charge \$2.50 per thousand board feet. It was a tricky scheme, but it did not fool the industry. The OPA thought it could virtuously say they did not make the dealers absorb the price of the increase in the lumber—they conveniently forgot that they had reduced the handling charge which was the “same difference.”

Not satisfied with that absorption, along came another absorption, and, lo and behold they took the second \$2.50 off the handling charge, and that wiped the slate clean. We were then forced to handle southern pine lumber for nothing. Once again they took the pitcher to the well, and this time they took 2 percent more away from the industry—in other words, 2 percent off the 6 percent they had granted when they raised the price to the wholesalers—and because you have a percentage mark-up from which to figure, when the industry lost the \$5 handling charge, they also lost the mark-up on that—so bang went still another \$1.50 per thousand.

How can you believe or trust an outfit like that? And gentlemen, bear in mind it is a Government agency and it has done more to foster sharp practices in business than anything you can imagine.

Let us now look into another phase of absorption. The OPA has cost business staggering amounts in forcing them to change their methods of doing business. This is absorption with a vengeance. We recognize the need for some extra record-keeping—we are talking about unnecessary records that have to be kept to comply with practices that are not customary in our business—methods of handling orders, invoices, and wording on invoices. Many concerns have had to add persons to their pay rolls in order to have manpower to comply. Attached is an exhibit of invoicing a contract order for your records. We normally could figure a contract for building material and invoice it to the customer in half an hour. Now it takes 3¼ hours to do the same job by actual test. Dealers normally have from several hundred to several thousand contracts and orders for lumber and building material in a year.

At this point, gentlemen, I would like to refer you to exhibit 2, page 1, which is headed “An invoice normally supplied a buyer before OPA regulations.” I just want to mention it. I just want you to first note the top part. It says “Description of material.” It shows how the industry invoiced in the regular way; that is, they had one line to prepare, and the sum was there. Now, we do not mean that took us only a half hour to do that particular thing, but we do mean

that with the material shipped, as was expected by the customer, which was furnished on his estimates, he had a complete break-down; and that is the way you would have invoiced it. Now, according to the OPA requirements—

(The following was later received for the record:)

EXHIBIT 2

AN INVOICE NORMALLY SUPPLIED A BUYER BEFORE OPA REGULATIONS

Order No.	Description of material	Feet	Unit price per thousand	Extension	Total
03917	Material as per our estimate No. 000 \$983.22.....			\$983.22	\$983.22

INVOICE FOR THIS SAME MATERIAL AS IT MUST BE WRITTEN UP UNDER OPA REGULATIONS

03917	2 x 8 Dry No. 3 Com N E Wh Pine D4S 14/12.....	224	\$83.25	\$18.65	
	2 x 4 No. 1 Fir D4S Green 1/10.....	7	81.50	.57	
	2 x 4 No. 1 Fir D4S Green 76/18.....	912	82.25	75.01	
	1 x 3 Merch N E Spruce D1S Dry.....	918	76.50	70.23	
	1 x 6 Pat No. 116 G. M. S L Yel Pine AD D & M 3/10 No. 2 Com.....	15	72.50	1.09	
	1 x 6 Pat No. 116 G. M. S L Yel Pine AD D & M 47/12	282	73.75	20.80	
	1 x 6 Pat No. 116 G. M. S L Yel Pine AD D & M "D" Grade 16/10.....	80	76.50	6.12	
	1 x 6 Pat No. 116 G. M. S L Yel Pine AD D & M "C" Grade 1/10.....	5	95.25	.48	
	1 x 6 Pat No. 116 G. M. S L Yel Pine AD D & M "D" Grade 157/12.....	942	77.75	73.24	
	1 x 6 Pat No. 116 G. M. S L Yel Pine AD D & M "C" Grade 4/12, 35/12.....	234	96.50	22.58	
	1 x 6 Pat No. 116 G. M. S L Yel Pine AD D & M B & BTR 2/10.....	10	99.50	1.00	
	1 x 6 Pat No. 116 G. M. S L Yel Pine AD D & M B & BTR 12/12, 2/12.....	84	100.75	8.46	
	1 x 6 Pat No. 116 G. M. S L Yel Pine AD D & M No. 3 Com 9/12, 2/12.....	66	64.50	4.26	
	2 x 10 Dry Sel Com West WH Spruce D4S 1/14, 6/14.....	163	90.00	14.67	
	2 x 10 Dry Sel Com West WH Spruce D4S 18/16.....	480	90.00	43.20	
	2 x 10 Dry No. 3 Com N E WH Pine D4S 19/12.....	380	85.75	32.59	
	2 x 8 Sel Com West WH Spruce D4S AD 1/14.....	19	84.75	1.61	
	2 x 8 Sel Com West WH Spruce D4S AD 7/16.....	149	84.75	12.63	
	2 x 8 Dry No. 3 Com N E WH Pine D4S 4/10.....	53	83.25	4.41	
	2 x 6 No. 1 N E Hemlock Green D4S 21/9.....	189	77.25	14.60	
	2 x 6 Dry No. 3 Com N E WH Pine D4S AD 31/12.....	372	82.50	30.69	
	1 x 4 Sel Merch N E Spruce D1S AD 9/12.....	36	87.75	3.16	
	2 x 10 Sel Com W W Spruce D4S Dry 2/18, 5/18.....	210	94.00	19.74	
	2 x 10 Sel Com W W Spruce D4S Dry 3/16.....	133	90.00	11.97	
	2 x 10 Sel Com W W Spruce D4S Dry 23/18.....	690	94.00	64.86	
	2 x 8 Sel Com W W Spruce D4S Dry 2/14, 16/16.....	378	84.75	32.04	
	2 x 6 Sel Com W W Spruce D4S Dry 26/16.....	416	85.50	35.57	
	2 x 6 Sel Com W W Spruce D4S Dry 3/10, 9/12, 3/14.....	180	93.50	15.03	
	2 x 4 Sel Com W W Spruce D4S Dry 20/16, 12/16, 50/16, 7/16.....	949	86.25	81.85	
	2 x 6 Sel Com West WH Spruce D4S Dry 20/16.....	320	85.50	27.36	
	2 x 4 Sel Com West WH Spruce D4S Dry 15/12, 10/12, 11/14, 1/10.....	310	84.75	26.27	
	2 x 3 Dry No. 3 Com N E WH Pine D4S 68/10, 13/12.....	418	80.75	33.75	
	2 x 8 No. 1 Fir D4S 19/18, 2/18.....	504	81.75	41.20	
	2 x 6 No. 1 Fir D4S 15/20.....	300	83.50	25.05	
	18 Bdles. 2 x 8 x 25/32 J M Sheathing BD.....	1,728			
	5 Pcs. 2 x 8 x 25/32 J M Sheathing BD.....	80			
		1,808	60.00	108.48	\$983.22

Senator CAPEHART. Pardon me, Mr. Chairman, just one moment.

Senator TAYLOR. Yes; Senator Capehart.

Senator CAPEHART. Who is representing OPA this afternoon?

Mr. HOLDER. I am, Senator Capehart.

Senator CAPEHART. May I ask you this question: Why do you ask these people to invoice as they show here? What is the purpose of requiring that they invoice in this method?

Mr. HOLDER. I would say the purpose, Senator Capehart, is to present to the buyer an exact record of what he is getting, and exactly what he is paying for each class of the material he is receiving.

Senator CAPEHART. Well, could you not bill 1,000 feet of fir lumber at \$90? Why do you have to put all this OPA monkey business in there?

Mr. HOLDER. If it were a single item, 1,000 feet of fir lumber of a particular size and grade, you would have just one entry on the invoice; if made up of six or eight different kinds of lumber, sizes, and grades, you would have that many entries.

Senator HICKENLOOPER. I understand that this exhibit 1 is the method you used before.

Senator CAPEHART. Now, your exhibit 4; what is that?

Mr. CLIFFORD. This is the one, Senator. It is the top one against the lower one. The top one is the old way of doing it, just the top of it, above this line, Senator, and all below that is the present, a page and a half.

Senator CAPEHART. In other words, here is an invoice. I get it. Here is an invoice, "Material as per our estimate." Now, in the estimate, you itemize it?

Mr. CLIFFORD. Yes, sir.

Senator CAPEHART. \$983.22.

Mr. CLIFFORD. Not only that, sir, but the customer has a shipping ticket for every shipment.

Senator CAPEHART. That is right; but in the estimate you itemize it. Now, OPA requires that you break up that \$983.22, in a page and a half, which is exactly what you did when you gave him the estimate?

Mr. CLIFFORD. Yes, sir.

Senator CAPEHART. Or something similar.

Mr. CLIFFORD. That is right.

Senator CAPEHART. Now, what business is it of OPA's?

Mr. HOLDER. Well, the example shows, here, Senator Capehart, it works out luckily to the identical figure. Let us suppose, for example, the fir is of a different size or grade; it would then be pretty important, would it not, to give the buyer an exact statement of what he is getting and what he is paying for it? Otherwise there is no record to show it. That is the reason for the request.

Senator CAPEHART. Is there anything in the OPA law that states you shall tell a man how to invoice?

Mr. HOLDER. I think the law, Senator, gives us the authority to require the keeping of such records as are necessary to demonstrate compliance with the price regulations.

Senator CAPEHART. I give up. No wonder you cannot get prices, or get anything done on OPA, because in my opinion you are doing a lot of things you haven't got any business doing. I cannot conceive the OPA's dictating how a man in business shall invoice his merchandise. I can understand how you could tell them what price to sell at, but when it comes to dictating to them that they must invoice in a given way on a form or formula that is worked out by OPA, I do not believe it was ever the intent of Congress. Maybe I am wrong, but it certainly seems that way to me.

Mr. HOLDER. We particularly do not prescribe the exact form or anything of that sort.

Senator CAPEHART. The only reason you are doing it is that some lumber dealer, some man in business may cheat somebody—is that the idea—substitute something that he should not?

Mr. HOLDER. Which would be an easy way, to be sure, of violating his ceiling prices. This is a statement of what the buyer gets and how much he pays for it. It is a record of the transaction which can be checked over by the buyer or by OPA.

Senator CAPEHART. Now, you say you are entitled to do this under the act, because you must have some method of checking. Well, "Material as per our estimate"—couldn't you check from that?

Mr. HOLDER. It would be very difficult, sir. The estimate may or may not in this case have been carefully drawn and carefully specified a list of material. I suppose, as often as not, it might be some calculations on the back of an envelope.

Senator CAPEHART. Well, I guess we have been wrong in this country for 150 years in the way we transacted business.

Mr. CLIFFORD. Now, one other reason. You notice it took 3½ hours by actual count to do the work. Now, the reason is this: We have a very thick price book—everybody has to have one, because you have so many types and kinds. You have to look up the exact OPA wording in order to put this in, and the time it takes is not only to figure the item but to get the exact wording. I am coming a little further to that later on, gentlemen.

Senator HICKENLOOPER. Do you have any difficulty understanding the wording when you find it?

Mr. CLIFFORD. That is a good question, Senator. It is very difficult, and it takes expert pricing specialists to do this thing and to do it right.

Senator HICKENLOOPER. Can they ever be sure that they are right?

Mr. CLIFFORD. They cannot be sure, themselves. None of us can be sure, and we are experts at it, supposedly. I am reading from the top of page 10, gentlemen.

Senator CAPEHART. You are getting back now to the top of page 10?

Mr. CLIFFORD. Yes; back to the copy.

I hope you will note how much detailed description is now required in describing lumber on invoices. That is what we just looked at, gentlemen. Just leave off one tiny item such as whether the lumber is dry or green, air-dried or kiln-dried, or B and better grade, or C, D, or some other grade and you will find yourself liable to have a compliance man from the OPA slapping a court injunction on you. It is being done. Innocent dealers are being persecuted by the OPA, and prosecuted too, for such technical violations as mentioned against impossible regulations while black-market violators run wild. This is a disgraceful situation.

Right now there is evidence that they are scurrying around in the OPA to get their house in order for the time being—be good boys until they are back in power with the heat off for a while. Can we trust them to be realistic? I'll answer it by asking if you ever believe the confirmed drunkard who swears off the morning after the night before.

This absorption policy is the devil incarnate, but it is evidently OPA's idea of fairness, justice, and all that's holy. When business cries out in the wilderness—the OPA officials appear to be shocked at the very idea that there should be a profit—but I imagine they would

be doubly shocked and howl to high heaven if they had to pay their own travel expenses around the country when on official business. In other words, absorb that cost out of their salaries just because they were making a profit over and above living expenses. That may sound silly—but it is the very theory the OPA has been preaching to industry and merchandisers. In other words, they have exercised their all-powerful position to dictate things the Congress never intended—namely, profit control through absorption as well as by mark-downs on ceilings.

Senator HICKENLOOPER. I may say, Mr. Clifford, that I think you have given an extremely apt illustration there. I think if those Government officials had to absorb the cost of their activities in their own offices out of their own salaries they would begin to realize eventually what this policy is doing to American production; but fortunately they do not have to.

Mr. CLIFFORD. What is the future OPA policy going to be on absorption? Let me quote from the "Statement of considerations accompanying amendment No. 19 to Second Revised Maximum Price Regulation No. 215"—dated March 29, 1946. [Reading:]

When final determination of the effect on retail yards of the Douglas fir mill prices has been made and reviewed with the industry advisory committee, such further absorption will be required of retail yards as the determinations indicate to be necessary under the pricing standards of the Office. At that time, also, action will be taken to require absorption by wholesale distribution yards and by retail yards on wholesale-type sales to the extent that investigations now being made may show to be warranted by the circumstances.

The considerations which have led the Administrator to require absorption by retail yards of increases in mill prices for lumber have been stated in detail in the statements of considerations relating to previous amendments to Second Revised Maximum Price Regulation 215. In this instance, as with previous absorptions, it has been determined that the average margins of retailers on Douglas fir and related species, after absorption, will be above the retailers' average expense rate, and that over-all earnings expressed as a percentage of total sales will be above the normal peacetime rate. No financial hardship will be incurred by retailers as a result of this absorption.

There are two points here for your special attention, gentlemen. First, note the OPA definitely says that in addition to the several absorptions already suffered, we face still more in our industry.

In the second place when they say that "No financial hardship will be incurred by retailers as a result of this absorption," it is unutterable nonsense and unmitigated gall, or inexcusable ignorance. This is typical and in line with other OPA classics of misstatements. In a part of the regulation quoted a moment ago, our industry advisory committee is mentioned in the following words—and I quote again:

Because the full effect of the mill price increase has not yet been finally determined, and because the effects of absorption on retail yard earnings are to be reviewed with the industry advisory committee,

and so forth.

As the industry understands it, all industry advisory committees were set up by the Congress as a safeguard to see that common sense and industry practices were made known to the OPA and their suggestions heeded by the OPA. The law said the OPA had to consult with the committees—but because it said nothing about having to "heed" their advice, the OPA has flouted your will; and I think this holds pretty true in all industries.

Since December 14, 1945, this industry has had considerable difficulty in keeping the OPA lumber advisory committee from resigning. This committee feels it should resign because the OPA had not heeded the suggestions of the committee for over a year. Mr. Jerome Ney, then one of the top pricing executives of the OPA was thoroughly familiar with the situation and urged the chairman and his committee to continue to serve. The ignoring of the advice of practical men in the industry with wide experience is one of many reasons why you have unrealistic pricing policies and shortages in housing construction lumber and other building material and will continue to have them as long as the will of the OPA prevails over that of Congress.

Now let us say something about operating costs because no absorption picture is complete without it. Obviously, operating costs have been creeping up since 1944, and in the last year they have jumped considerably. There is hardly a yard in the country that is paying a common laborer less than 65 cents and the major part of labor increases occurred last year. Take one single item that every yard must maintain—namely, a truck. The cost of replacement, repairs, tires, and parts have gone up; and the cost of gas has gone up. Furthermore, dealers' purchasing costs have gone up because the wholesaler no longer comes to his yard to sell him lumber, and the retailer must go out to find it at heavy expense—and all the while his volume is going down. I ask you how any sane-thinking man, or even a Washington economist, can figure out how the retailer is making too much money.

Gentlemen, I have the Government statistics here and the number of yards and their sales volume for 1939. I have the OPA's own statements on industry profits and I will be glad to sit down with you by the hour, and no matter how you figure them you will come to the same conclusion.

I have also a set of figures which were supplied the National Retail Lumber Dealers Association by the Service Lumber Co. of Rolling Fork, Miss., showing the increased operating cost. I would like to have these figures incorporated in the record, together with the letter of the Service Lumber Co. which accompanies the figures.

Senator TAYLOR. Very well.

(The letter and tabulation referred to are as follows:)

SERVICE LUMBER CO., INC.,
Rolling Fork, Miss., December 6, 1945.

Mr. H. R. NORTHRUP,
Secretary-Manager, National Retail Lumber Dealers Association,
Washington 6, D. C.

DEAR MR. NORTHRUP: I acknowledge receipt of your wire December 1 advising of meeting of our IAC to OPA in District of Columbia on December 12. Ted is writing you why we think neither he nor I should attend.

Our dealers are highly indignant at this latest slap by OPA and just what this may lead to in noncompliance I am not prepared to say, but can hazard a good guess, as frankly I do not think the smaller dealers who may not keep complete records will pay any attention at all to this absorption edict.

To substantiate my contention that it is unjust that we absorb this increase given the producers I have prepared a chart giving some comparative figures between August 1943 (date of beginning MPR-215) and November 1945, as well as many of the intervening months. You will note that these figures show that our footage volume of lumber has been declining, our cost of handling and cost per thousand of handling have been steadily increasing. Also note that where our total sales volume in November 1945 increased over August 1943 by 26.32 percent our total yard expense increased 67.74 percent.

It is my contention that if OPA considered the mark-ups they accorded us in August 1943 as fair, then it is up to them to show that our expenses have decreased since then before reducing our mark-ups. In my opinion their reasoning that retail lumber yards profits have increased is irrelevant as a reason for reducing mark-ups. I do not think it is within OPA's province to regulate profits as our internal-revenue boys are doing a right good job of this.

I am enclosing the data mentioned above and hope that it may be of interest to you. Am certain that any other information Ted or I can supply will be forthcoming promptly at your request.

With kindest regards, I am

Yours very truly,

RUSSELL SMITH.

Date	Footage sold	Yard labor truck expense shipping			Per thousand board feet expense, using August 1943 as 100 percent	Total sales volume, August 1943= 100 percent	Total yard expense, August 1943= 100 percent
		Dollar expense	Thousand board feet cost	Dollar percent, using August 1943 as 100 percent			
August 1943.....	115,223	\$716.45	\$6.21	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
August 1944.....	187,115	1,011.56	5.40	141.19	86.90	128.34	117.54
August 1945.....	50,700	822.50	16.22	114.80	261.19	99.05	139.51
October 1943.....	110,688	789.66	7.13	110.22	114.81	84.24	107.58
October 1944.....	59,429	668.54	11.25	93.31	181.10	78.96	96.63
October 1945.....	84,927	813.66	9.58	113.56	9.58	109.27	150.38
November 1943.....	112,240	742.43	6.61	103.62	106.44	129.80	103.77
November 1944.....	68,676	650.72	9.55	90.82	153.78	98.75	93.51
November 1945.....	62,117	867.47	13.97	121.07	224.95	126.32	167.74
January 1944.....	133,320	904.16	6.78	126.20	109.17	131.20	118.58
January 1945.....	127,189	1,150.11	9.04	160.52	145.57	166.02	141.21
March 1944.....	94,386	827.07	8.76	115.44	141.06	157.39	115.80
March 1945.....	88,620	1,112.57	12.55	155.28	202.05	157.45	137.85
May 1944.....	70,793	788.75	11.14	110.09	179.38	122.52	118.08
May 1945.....	73,689	742.19	10.07	103.59	162.19	116.16	128.05

MR. CLIFFORD. You will notice this letter is dated December 6, 1945, and was not prepared for these hearings, therefore we do not consider it a self-serving declaration. I would also like to have incorporated into the record the following table which reflects the penalties imposed on the retail lumber dealers in the southern-pine area since August 11, 1943, and you will find that in the back of this.

Senator TAYLOR. Very well. It will be incorporated in the record. (The table referred to is as follows:)

EXHIBIT 3

These comparative tables are intended to reflect the penalties in the form of absorptions and cut-backs imposed upon the retail lumber dealers in the southern-pine area since August 11, 1943 (item covered is any typical southern pine item with delivered cost of \$50 per M board measure):

Formula for retail lumber yards in North and South Carolina per OPA MPR-215, effective Aug. 11, 1943:

Use any typical item:

Landed cost of item, consisting of mill price \$48 (list 19) plus freight from basing point \$2-----	\$50.00
Handling charge-----	5.00
<hr/>	
Total on which retailer's mark-up is based-----	55.00
25 percent mark-up (lower bracket)-----	13.75
<hr/>	
Dealer's selling price----	68.75
<hr/>	
Gross profit in dollars----	18.75
Percentage mark-up on cost	37.5 percent.
Percentage gross profit on sale,	27.3 percent.

Amendments to MPR-215 bring the following figures as the retail dealers' prices, including cut-backs and absorptions per amendments 13 and 18 to 215:

Use any typical item:

Landed cost, consisting of mill ceiling price-----	\$48.00
Freight from basing point-----	2.00
6 percent commission which must now be paid by retailers ¹ -----	2.75
<hr/>	
	52.75
Handling charge: This was originally \$5 under MPR-215 of Aug. 11, 1943. Later reduced to \$2.50 by amendment 13 to MPR-215. Eliminated entirely by amendment 18 to MPR-215-----	0.00
<hr/>	
	52.75

Cost price OPA required retailers to use in determining mark-up and selling price----- 51.00

The \$51 consists of mill ceiling price, \$48; freight from basing point, \$2; 2 percent of wholesaler's commission reduced to nearest quarter dollar, \$1.¹

25 percent mark-up (lower bracket)----- 12.75

Selling price----- 63.75

Gross profit in dollars----- 11.00

Percentage mark-up on actual costs, 20.8 percent.

Percentage gross profit on sale, 17.2 percent.

Dollar reduction in gross profit as a result of absorption, \$7.75.

Gross profit on sales reduced, 41.3 percent.

Mark-up on costs reduced, 44.5 percent.

Operating cost of average yard, 20 percent on sales.

¹ 6 percent commission must now be paid to wholesalers—4 percent must be absorbed by retailers, and 2 percent is passed on to consumer. Normally mills gave wholesalers a discount which mills no longer do because of sellers market.

Mr. CLIFFORD. Since the testimony of this industry before the House Banking and Currency Committee covered the field of production, I will say only a few words regarding our differences with the OPA in this field. There are two items that are the backbone of a frame house—the 2 by 4's—that is, lumber 2 inches thick by 4 inches wide by whatever length needed—and boards. The boards are less than an inch in finished thickness, are 6 or 8 inches wide, and of varying lengths. Without 2 by 4's and boards, you have no framing lumber—therefore no house construction.

Three weeks ago our lumberyard in Bridgeport did not have in stock a single, solitary 2 by 4 or a sheathing board—and normally we have a stock of over 5,000,000 feet of lumber to serve builders and industry.

And I may say since that date they have been in the same position many times. In other words, you just do not get it.

Our industry is firmly convinced that OPA pricing policies have retarded production. But what does the OPA say? I quote from an article by Mr. Stanley Crute, Connecticut director of the OPA. In the Connecticut press recently, he said, and I quote:

The real cause for our present shortage of building lumber lies not in prices but in the shortage of manpower in the lumber industry and in the weather.

Gentlemen, we had far greater shortages of manpower during the war—but we had 2 by 4's and sheathing boards in our yard. We have always had bad weather plague us on and off for the over half a century that the company I represent has served the public, and we never were out of 2 by 4's or sheathing boards.

Mr. Crute also said, and again I quote:

OPA lumber pricing policies are and have been realistic.

Is that correct? We seem to disagree most emphatically. Just to give one illustration out of dozens: Fir lumber price ceilings were supposed to have been adjusted to give an increase in realization of about \$1.10 per thousand, but fir log prices were upped \$1.25—and you don't have to be a lumber producer or dealer to know that is not realistic.

This committee has allowed our industry 30 minutes; therefore, it was necessary for me to telescope this testimony; but if this committee or any member of it wants to pursue this matter further, the members of our industry are available, including members of the industry advisory committee. This testimony has been limited to a few of the many complaints we have against OPA, but if the subject matter of these complaints, especially absorption, could be corrected, and if the OPA would utilize its enforcement staff in the proper places, we could get along for a few more months if the public interest so requires. However, if Congress by legislation fails to correct this situation, our honest members are rapidly being maneuvered into a position where they will have to violate or liquidate; and when I say that, I am not being facetious, because our industry is in dead earnest and means business.

In the name of the building material dealers of this country, I plead with you, gentlemen, to stop unrealistic pricing policies that hinder production, and I plead with you to see to it that the law requires the OPA to abandon all absorption policies that sifle justifiable earnings, the loss of which will eventually curtail jobs even more than it is now doing.

And I want to add, please, that we warn that in abolishing of absorption any law written must be so specific that it prohibits direct and indirect absorption, such as the hidden absorption in handling charges mentioned in this testimony.

And I might also add, gentlemen, that I noted it was reported in the press that the Senate Agriculture Committee had recommended removal of all price control on meat, charging that controls and price regulations on livestock and meat "had completely broken down."

The situation with regard to lumber is identical. The distribution controls of the OPA are ineffective, and price regulations of the OPA are honored only in the breach. If there is justification for removal of price controls over meat, the same justification exists over lumber.

I would also like to point to the illustrations in the back of the material that I have here, which is exhibit 3. Exhibit 3 shows some typical examples of the cost formula for retail lumberyards in North and South Carolina in accordance with OPA regulation MPR 215, effective August 11, 1943, both before then and the date of the present time; and you will notice that the gross margin in dollars is down from \$18.75 to \$11, which brings a gross margin of profit on sales reduced 41.3 percent; that is, since they have started this absorption along this particular line the dealer's gross profit on sales is reduced 41.3 percent.

We have other exhibits here. We know you are pressed for time, and I will not go into them in detail, but I might say this—that some of these regulations have had 30 and 40 amendments by virtue of revisions. I have got some of them here. You probably do not want to see them, but it takes more than a Philadelphia lawyer to dig them out and work them out.

We have a complicated business anyway, and the OPA, none of whom I believe are experienced lumbermen—they are very fine gentlemen, but they are not experienced lumbermen, and we men who have spent a lifetime in the business are in the hands of these men who are not realistic, who do not know the business, and are not qualified to handle it. They are not qualified to take the second largest business in these United States, which is the building material and affiliated lines of construction, and so forth, and without experience say what can be done. This OPA doctor is a doctor that is not consulting with the experts, the advisory committee. They talk with them, and then they do as they please, and it is a rank injustice to the industry. Absorption, gentlemen, is something that we certainly must get rid of. It was never intended by you gentlemen.

(The following was later submitted to the record:)

EXHIBIT 4

TABLE NO. 1.—*Methods used by northern retailers in computing sales prices on a \$40 southern yellow pine lumber item before and after absorption*

BEFORE ABSORPTION	
Actual costs:	
Mill ceiling price RMPPR 19.....	\$40. 00
Wholesale commission 6 percent.....	2. 40
Freight, 41-cent rate 2,500 pounds.....	10. 25
Transportation tax 3 percent.....	. 30
Total landed cost.....	52. 95

TABLE NO. 1.—*Methods used by northern retailers in computing sales prices on a \$40 southern yellow pine lumber item before and after absorption—Continued*

BEFORE ABSORPTION—Continued

Method of computing selling price before absorption:	
Mill ceiling price RMPR 19.....	\$40.00
Wholesaler's commission 4 percent (note here that dealers absorb 1/3 of commission).....	1.60
Freight 41-cent rate 2,500 pounds, plus transportation tax of 3 percent, or a total of \$10.55, which must be reduced to the nearest quarter dollar.....	10.50
<hr/>	
Total of above three items reduced to nearest quarter dollar.....	52.00
Add handling charge \$5.....	5.00
<hr/>	
Total on which mark-up is allowed.....	57.00
30 percent mark-up on \$57.....	17.10
<hr/>	
Selling price (add 30 percent mark-up to \$57 and reduce to nearest quarter dollar).....	74.00
<hr/>	
Gross profit.....	21.05
Percentage mark-up on cost, 39.8 percent.	
Percentage gross profit on sales, 28.3 percent.	
Operating costs of average yard, 20 percent on sales.	

TABLE NO. 2.—*Methods used by northern retailers in computing sales prices on a \$40 southern yellow-pine-lumber item before and after absorption under present absorption policy*

Actual costs:	
Mill ceiling price, RMPR 19.....	\$40.00
Wholesale commission, 6 percent.....	2.40
Freight, 41-cent rate, 2,500 pounds.....	10.25
Transportation tax, 3 percent.....	.30
<hr/>	
Total landed cost.....	52.95
<hr/>	
Method of computing selling price under current absorption policy:	
Mill ceiling price, RMPR 19.....	40.00
Wholesaler's commission, 2 percent (note that retailer absorbs 2/3 of wholesaler's commission).....	.80
Freight, 41-cent rate, 2,500 pounds, plus transportation tax of 3 percent, or a total of \$10.55, which must be reduced to the nearest quarter dollar.....	10.50
<hr/>	
Total of above 3 items reduced to the nearest quarter dollar.....	51.25
30 percent mark-up on \$51.25.....	15.37
<hr/>	
Selling price (add 30 percent mark-up to \$51.25 and reduce to nearest quarter dollar).....	66.50
<hr/>	
Gross profit.....	13.55
Percentage mark-up on cost—25.5 percent against 39.8 percent before absorption, or a reduction in the mark-up on costs of 36.6 percent.	
Percentage gross profit on sales—20 percent against 28.3 percent before absorption, or a reduction in the mark-up on sales of 29.3 percent.	
Dollar reduction in gross profit as a result of absorption, \$7.50.	

Senator TAYLOR. Are there any questions?

Senator HICKENLOOPER. Yes; I would like to ask a question of Mr. Clifford.

Mr. CLIFFORD. Yes, sir.

Senator HICKENLOOPER. You say it is a rank injustice to the industry. What is your opinion as to whether or not the public under this system is getting the supply of lumber and building materials

that it otherwise would get? What would you believe to be a realistic policy?

Mr. CLIFFORD. An excellent question, Senator. If there were realistic pricing policies, the industry is convinced, definitely convinced, that the flow of material would be increased, that the material would go through proper channels, and that the people would get the building material at less cost than they get it at today. And besides, they would get the quality and kind that they want; they would not be forced to take anything and everything that comes along just because it is lumber.

Senator HICKENLOOPER. Thank you.

Senator TAYLOR. Thank you a lot, Mr. Clifford. We are happy to have had you with us, sir.

Mr. CLIFFORD. Thank you, sir.

Senator TAYLOR. Our next witness is Mr. Quentin Reynolds, of the National Council of Farmer Cooperatives.

STATEMENT OF QUENTIN REYNOLDS, PRESIDENT, NATIONAL COUNCIL OF FARMER COOPERATIVES AND GENERAL MANAGER OF THE EASTERN STATES FARMERS EXCHANGE, WEST SPRINGFIELD, MASS.

Mr. REYNOLDS. Mr. Chairman, I want to cooperate with you and I have spent a good deal of time on this. I think if I read this statement it will be quicker than if I attempted to paraphrase it.

Senator CAPEHART. You do not have copies of it?

Mr. REYNOLDS. Yes.

I am Quentin Reynolds, a resident of Massachusetts, president of the National Council of Farmer Cooperatives and general manager of the Eastern States Farmers Exchange, Inc., a cooperative farm production supply purchasing association, owned by and serving farmers in all the New England States and also Delaware, Maryland and Pennsylvania. The views which I am expressing are based upon my experience with Eastern States Farmers Exchange since 1923 and on my contacts with farm supply organizations, both cooperative and proprietary, as chairman of the National Committee for Farm Production Supplies from 1941-44 and as the personal representative first of Governor Saltonstall, a Republican, and now of Governor Tobin, a Democrat, on the Northeastern Governor's Emergency Feed Committee. This committee includes the representatives of 10 governors.

With the consent of the executive committee of the Eastern States Farmers Exchange, Inc., I am appearing to present for your consideration suggestions to secure optimum production of essential foods by farmers, particularly by those in the so-called deficit-feed areas—the dairymen and the poultrymen along the Atlantic and the Pacific Coast States.

Let me make clear that I am not asking that livestock and poultry in the deficit-feed areas be fed at the expense of human beings.

It is important to recall that the livestock and poultry operations in the so-called deficit areas are important from the standpoint of agriculture and of the national economy. The 16 Eastern States from Maine to Georgia, for instance, have a population of 49,000,000 people, who, while they require a wide variety of food items from all

parts of this Nation and from abroad, depend primarily on the farmers of the Atlantic seaboard for their supplies of fresh milk and fresh nearby eggs.

There are about 1,250,000 farms in these 16 States. According to the most recent figures available, these farms have about 4,900,000 dairy animals, producing about 1,575,000,000 gallons of milk per year. On these farms there is also a poultry population of over 110,000,000 and other livestock of about 10,000,000.

Over the years which preceded the outbreak of World War II, dairymen and poultrymen east of the Alleghenies and in the Intermountain and Pacific Coast States had come to rely on their fellows in the South and the Mississippi Basin as their source of grain and by-product feeds, and the farmers of the great Middle West had come to rely on those same poultrymen and dairymen as profitable outlets for feed products of their farms. Under our competitive system, the farmers in the East and the West have acquired skills in poultry and dairy management. Through combining the feeding of home-grown roughage to quality stock with effective selling in accessible markets, they have been able to offer midwestern farmers markets for their grain production which compared favorably with the returns which they could secure by feeding the major part of their production at home. Cereal grains constituted some two-thirds of the purchases in the East and in the West, the balance being composed largely of such byproduct feeds as gluten, soybean and linseed meals, distillers' and brewers' grains, dried whey, tankage, meat scrap, et cetera, purchased from processors who in turn purchased grain or livestock and dairy products from Corn Belt farmers. The cottonseed and peanut meals came from the South. These purchases were made through agencies competing on a service basis in accordance with the American tradition—elevators, processors, feed manufacturers, cooperative and proprietary—according to the individual inclinations of the farmers selling and the farmers buying.

The program resulted in extremely efficient use of feed ingredients, with consequent benefit to the consuming public. To bid for the ingredients direct or through feed manufacturers and dealers, farmers in the East and the West have had to satisfy consumers who have not been restricted in their selection of their food purchases. Conversely, the farmers of the Middle West and the South have weighed the returns offered them with the prices available for the poultry and livestock products they could produce themselves. Both groups of farmers, those in the deficit areas and those in the grain and concentrate producing areas, all combined to afford the packers, grain processors, and creameries the markets for byproducts for use in feed which justified their husbanding and satisfactorily preparing residues which, so salvaged, have greatly augmented the national livestock feed supply and thus the national supply of essential human foods.

The regulations established under the OPA have drastically interfered with this program. By so doing, as I shall show presently, they have sorely penalized and lowered the efficiency of production of the poultry and dairy producers of the East and the West, with consequent loss to the economy through wasteful use of feed ingredients. The Nation's potential food supply has been reduced, and costs of food production have been increased. These price regulations have combined with administration of the over-all food program to reduce considerably the amount of human food available for export.

It must be understood that the poultry and livestock feeds which supplement roughage (whether home-mixed or ready-mixed) are largely composed of proteins and carbohydrates. The carbohydrates are supplied from the grains and the proteins chiefly from the by-product, or concentrate feeds. It is important to keep in mind that normally the concentrates, the protein carriers, are substantially more costly because they are in much more limited supply, and that in the animal diet, protein can replace carbohydrates but that carbohydrates cannot replace protein.

The OPA price ceilings on protein concentrates have been consistently more favorable to feeders than the ceiling prices on grains. Consequently, it has become the common feeding practice to feed the scarce proteins relatively wastefully if, as, and when they are obtained. They are obtained more readily in the areas of their production because processors have been allowed to secure higher margins in bag and truckload lots than in carload lots. They have remained in areas of production for another reason. As products to process have become more valuable, the processors who, because of ceiling prices, could not legally bid for them with cash have exchanged protein concentrates for soybeans, flax, beef, or hogs. The farmers in the deficit areas and their suppliers, because they have had nothing but money to offer for protein, are out of luck in this barter economy.

While the OPA, through the United States Department of Agriculture, has devised a rationing set-aside mechanism by which farmers in deficit areas have secured a greater portion of protein concentrates than they otherwise would have received under the price regulations and supply conditions resulting from these circumstances, it is generally admitted that farmers in the areas of production are today using a greater proportion of protein concentrates than they used when the farmers in the deficit areas had equal opportunity to bid for these ingredients, and for the reasons previously suggested are wasteful in their use of protein meals.

In spite of fat and protein shortages, indications are that Corn Belt farmers are not planting either as great an acreage of soybeans as the production goals are seeking or as they planted last year. Corn Belt farmers are convinced from past experience that net return from beans at OPA ceilings is considerably less attractive than similar returns from corn. Consequently feeders in the deficit areas continue to enjoy attractive prices for proteins while going without supplies critically needed which higher prices to farmers would provide.

The admitted deflection of meat from the established packers is resulting in less meat scrap, as well as in less of the other byproducts which are sorely needed by consumers direct and through various industries. The smaller slaughterers, though individually operating at a profit, do so at the expense of the general economy.

The legal ceiling price for corn is so decidedly less than the legal price for corn after it is converted into hogs, that farmers in the deficit areas have not been able to compete with hogs for corn which normally constitutes a third of their purchased feed. The corn grower, in other words, has not had the customary option of deciding whether to sell legally his corn for the going price or put some labor against his grain production and feed it out at home. This situation has proved costly to the economy. The dairy cow stands at the top of the list as a converter of feeds into food products when milk solids are used for direct human consumption, and the hen as an egg pro-

ducer is ahead of the hog as a meat producer. To make matters still worse, OPA ceiling prices have encouraged the use of corn and protein for the production of hog fat, an extremely wasteful use of feed.

From the inauguration of the price regulation program, the feed trade, State departments of agriculture, farmers, and governors in the deficit areas have called these facts to the attention of the OPA direct and through the United States Department of Agriculture. Suggestions have been offered for their correction. Specifically an opportunity to bid on equal terms with farmers in the area of production and the bringing of all feed ingredient ceiling prices in relationship from the angle of their respective feeding values have been urged but to no avail. The adjustments have not been made.

Other grains have been substituted for corn and always at prices more costly than corn to the feeders of the deficit areas. In other words, the feeds used to replace corn have cost the consumers in the East and West much more than corn would have cost them. These consumers would have been better off buying corn in milk and eggs locally produced than they have been paying for it as meat on the platter and as grease in the skillet or roasting pan.

For instance, milo has been shipped from Texas and Oklahoma to the North Atlantic States as a replacement for Ohio and Indiana corn, a distinctly less valuable feed ingredient than corn but costing approximately \$65 a ton at Boston rate points when corn which would have been worth more to feed is being held down to approximately \$50 a ton delivered Boston rate of freight. Oats which are now largely replacing corn, cost \$61 delivered Boston. A typical 20-percent-protein dairy ration cost farmers in central New York State, November 21, 1941, \$40.20 a ton. When price control was applied to mixed feed on February 17, 1943, that feed cost \$48.09. On April 17, 1946, the cost was \$68.50.

It is interesting to note that when the administration determined that it required corn as well as wheat, it did the very thing which feeders in the deficit areas had asked that they be permitted to do—tried to bid as much for the corn as the hogs have been permitted to grunt for it.

Let me repeat that I am not asking that livestock and poultry in the deficit feed areas be fed at the expense of human beings. I am asking only that liquidation required to bring the animal and poultry units in this country in line with feed stocks be participated in equitably by allowing all to bid for feed in a free market. This practice will result in feed grains now being produced at optimum volume and being fed to optimum efficiency.

The suggestions which I am making for your consideration are based on the premise that OPA is only one of the instrumentalities which Congress is using to fight the inflation threat. Other means include tax programs, fiscal policies and allocations. I also assume that it is conceded today that price rises are the result of an excess of spending power over the supply available of desired goods and services. That being the case, production required to fill the gap should be the objective of OPA regulations.

And I suggest that—These are just principles. I have not attempted in my limited experience to spell out bills or anything but principles that I feel from our experience—or my experience, not speaking for any particular group; I am speaking from my experience

with these circumstances—that I feel might well be incorporated, not to cripple OPA but to help OPA effectuate the objectives for which it has been created:

1. Pricing regulations on agricultural products and the food and feedstuffs processed therefrom should be terminated whenever the domestic production, as determined by the Secretary of Agriculture, reaches the production of a historical base period which represents optimum over-all production of agricultural products under normal conditions.

And here, gentlemen, I have changed the wording slightly, because I want to stick to principles rather than to appear to be so specific as I was when I drafted this. You will catch the difference when I read.

2. Government payments and subsidies paid to processors or producers of agricultural products or the food and feedstuff processed therefrom should be removed by December 31, 1946; and any existing price ceilings should be raised at the same time any such removals occur by the amount of the subsidy reduction. The problem of taking care of the nutritional needs of disabled and underprivileged people should be treated by specific remedies.

It seems to us, many of us, that the fundamental of any national standard of living is its food supply and that a standard of living which is geared on any other basis than people paying what it costs to supply themselves with food is not a realistic program.

3. Any price ceilings existing after June 30, 1946, should provide for the cost of production, processing, and/or distribution of each individual item, plus reasonable sales margins.

Now, one thing I very definitely have in mind there is the position in which cooperatives find themselves when they operate on this principle that if you are breaking even on everything you are operating all right. Now, cooperatives are required by the United States Government, through the Department of the Treasury, to operate on a nonprofit basis. Therefore an honest-to-goodness nonprofit cooperative enterprise must have each of its projects carry its own weight in the boat—carry itself; and to ask the fertilizer department of the cooperative purchasing association to carry the seed department or the roofing department or the lumber department or any other department is not fair.

I have been listening to some of the testimony here with a great deal of interest, and it seems to me that there is a profound difference between an industry electing to operate at prices which involve not carrying the entire cost and the Government putting into practice mandates which require an industry to operate on that basis.

And finally—

4. Materials and products needed for farm production purposes, which depend for their supply substantially on imports from other countries, shall be allocated on the basis of historic use, until imports have been restored to volumes supplied at a historical normal base period.

What I want to emphasize there, and the fertilizer industry emphasizes that quite well, is the fact that keeping prices attractive to hold the line tends to increase consumption; and if there is a shortage of items, then the only way in which you can carry out the purposes of the Congress in meeting the situation is to combine allocation with pricing.

Senator TAYLOR. Thank you, Mr. Reynolds.

Senator MITCHELL. Do you have any estimate as to how high grain prices would go if controls were taken off?

Mr. REYNOLDS. No; I have not. I think somebody answered that, Senator, rather well the other way when they pointed out that the price would probably be somewhere between the legitimate price and the black-market price.

Senator MITCHELL. But that is just an assumption?

Mr. REYNOLDS. That is just an assumption.

Senator MITCHELL. Which probably does not give too much weight to the effect of the ceiling now in holding down prices.

Mr. REYNOLDS. No. But may I carry further this idea that I made in connection with my last point—that if we are going to have run-away prices with no price control, or a very high ceiling price which would amount to no price control and a free market, then your supply of money and demand are entirely unrelated to the actual supply, and then you have got to ration. Merely holding down the established price will not accomplish the purpose of the Congress.

Senator TAYLOR. Any other questions?

Senator CAPEHART. I have nothing to ask, except I would like to make this comment: That as a result of the Government paying 30 cents premium for corn and wheat—and I will make the prophecy—that within 72 hours or not to exceed a week, that they increase the price of corn 30 cents a bushel. They will be forced to do it.

Senator TAYLOR. Thank you, Mr. Reynolds.

Mr. Slotkin.

**STATEMENT OF SAMUEL SLOTKIN, CHIEF EXECUTIVE OFFICER,
HYGRADE FOOD PRODUCTS CORP., NEW YORK, N. Y.**

Mr. SLOTKIN. My name is Samuel Slotkin. I am the chief executive officer of the Hygrade Food Products Corp., with offices at 30 Church Street, New York City. The company of which I am the head owns and operates plants in 14 States, and does business in every one of the 48 States of this country. In 1945 the Hygrade company did a gross volume of \$110,000,000. This year its sales will be substantially larger. Hygrade is the seventh largest member of the meat-packing industry.

My purpose in submitting this statement at the invitation of the committee is not to dwell upon the special problems confronting either the meat industry in general or the Hygrade company in particular during the reconversion period. No doubt these problems are familiar to the members of this committee. Highly competent authorities representing all points of view have given you the benefit of their experience concerning these problems during the hearings you have been conducting.

I would be less than frank if I were not to make it clear that I, in common with every other corporation executive in the country, find myself confronted with many unfamiliar and unpleasant problems. To do business with less Government regulation, or without any regulation at all, would be simpler; it would be more profitable; it would be more pleasant. But it is impossible. We in America face a condition—indeed it is a crisis. In rising to meet it, we dare not be wishful. We can afford nothing less than to be practical.

Accordingly, I am submitting this statement not simply as a corporation executive expressing the necessarily narrow and inevitable grievances of an individual management toward government. These, I assure you, are many, troublesome, and costly. Rather is it my intention to speak as one trying to be simultaneously a corporation executive and an average American citizen. It is in this capacity that I venture to urge upon the members of this committee my belief—my conviction—that it is the feeling of most of the ordinary citizens at large that the legislation now pending before Congress must take into consideration not merely the special statistical grievances of the meat-packing industry but also the responsibilities which all of us—including business—owe to our national economy during these critical days of transition from war to peace.

It is my conviction that to legislate purely and simply in terms of the statistical problems of any industry at a time of crisis in the world is less than practical. If we are to have the truly practical legislation we all want, the truly practical legislation your committee wants to recommend, each and every industry, each and every company, each and every group, must temper its conviction as to its own self-interest—as to its legitimate self-interest, to be sure—with the more humane and, if I may say so, more practical question: What is good for the country? What is good for the world? What does the general welfare require from each and all of us?

I, as a citizen, would willingly and unhesitatingly sacrifice all of my business interests if I believed such was the price necessary for the maintenance of peace in the world and the attainment of our universally accepted domestic objectives—plenty and security. I hope that I will be pardoned if I seem complacent in my conviction that the attainment of these objectives is not in any way inconsistent with the normal and profitable operation of American business in this difficult period of readjustment. I believe that recognition of the broad needs of reconversion, as embodied in the general agreement of public opinion that OPA must be continued, is not at all inconsistent with the continued operation of American business in a manner entirely compatible with the American system.

It is in this spirit that I am glad to have the opportunity to assure the members of this committee that a very representative cross section of opinion in the food trades is anxious that the legislation now pending be written entirely in terms of what is good for the country and what is good for the world. The members of every industry will find their greatest security in those measures which will insure the greatest good for our national economy and for the new world order now a-borning. If the legislation you pass in this session attains these lofty objectives, I assure you it will help the industry of which I am proud to be a member more than any designed to serve our immediate corporate convenience that I could urge upon you.

Having tried to express the spirit of the point of view which prompts me to submit this statement to you, may I now proceed more specifically to give you my opinion of the actual condition which confronts the meat-packing industry and the food markets of our economy.

Clearly we'd all agree OPA has been less than perfect on both the policy and the administrative levels. But it must be given the power to operate effectively. Our continued need for OPA must be accepted as frankly as the need to amend the OPA Act. If all meat-

price controls were removed, or if the power to control meat prices were forfeited by amendment, the price of livestock would undoubtedly rise substantially.

In my opinion, the price of hogs would immediately rise to a level in excess of \$20 per hundredweight, and the price of cattle would go even higher. Because of the endless demand for meat, I see no possibility that these prices would soon fall from this excessive, inflationary level.

Food is needed now. It is needed here and, for reasons too obvious to require restating by me, it is needed abroad, too. We dare not risk the possibility of further difficulties in obtaining supplies from producers. Maintenance of present price controls on livestock and meat is necessary. The strong consumer demand for meat, in the absence of other items on which to spend the prodigious stream of purchasing power, would cause meat prices to skyrocket for an indefinite time.

Consequently, I believe that the immediate and unavoidable consequence of the removal of meat price controls would be chaos. Because it is fashionable to use extreme words loosely nowadays, may I add that I am using the word "chaos" in its literal dictionary sense when I predict that chaos will result from the removal of meat-price controls.

I am no political advocate. I have no special political allegiances. I am just a businessman. But I will stake my reputation for straight and successful dealing as a businessman upon this prediction. I will bet upon it in my conduct of my own business.

In closing, may I again express my conviction that Americans of every group, of every occupation, of every point of view, will most shrewdly secure the interests which divide them from other Americans if they grant an over-riding priority to the responsibilities and loyalties and, yes, the pressures which bind all Americans together. I thank you again for inviting me to submit this statement for your consideration.

Senator TAYLOR. Mr. S. Clay Williams, R. J. Reynolds Tobacco Co.

STATEMENT OF S. CLAY WILLIAMS, CHAIRMAN OF THE BOARD OF DIRECTORS, R. J. REYNOLDS TOBACCO CO., WINSTON-SALEM, N. C.

Mr. WILLIAMS. Mr. Chairman, and gentleman of the committee, if I may, I will read a statement I have dictated, in the interest of time.

Senator TAYLOR. Yes, sir.

Mr. WILLIAMS. I have found that I cannot stay within close time limits if I speak offhand about this thing.

I am S. Clay Williams, of Winston-Salem, N. C., and am chairman of the board of directors of R. J. Reynolds Tobacco Co., a manufacturer of cigarettes, smoking tobacco, and other tobacco products, without any production of cigars or snuff.

It is not my purpose in the short time through which you will be able to hear me to address myself to the broad area of OPA extension. I speak only to OPA amendment and to just one amendment—that single amendment under which OPA would be required by the Congress to remove all of its controls from an industry in which supply of the products of the industry shall have come generally and substantially into balance with the demand therefor.

Inasmuch as the only generally supported basis for the acceptance of price control in this country of free men and free competitive enterprise lay in shortages of goods of respective kinds as developed through the fact that in the war emergency Government purchasing and the attendant conversion of manufacturing facilities to the production of war goods forced an unnatural shortage of goods for civilian use, it would seem to be altogether obvious that when the war emergency was over and goods of any given line had again become available in adequate supply, artificial price controls would naturally be removed, even where they were free of inequities and destructive results in the working of the economy. It would seem to be equally obvious that inasmuch as these artificial controls were attached industry by industry as shortages of goods developed or were threatened, they would be detached in the same way—industry by industry as the shortages they were designed to protect against disappeared following the passing of the war emergency.

It will be noted that the question I propose to discuss does not involve at all the question of whether or not price control should be continued in an industry making a product for which, through and on account of the war and its dislocations of industrial production, an enormous backlog of demand was built up and still remains unsatisfied. Leaving that aside I narrow my comments to situations where supply of the product of the industry is in, or shall have come into, general and substantial balance with the demand therefor.

Clear as the answer to the question of what should be done in such situations would seem to be, I fear that in the general turmoil of argument pro and argument con over the extension or the discontinuance or the amendment of OPA even so simple a question as the one I present has become enveloped in the general cloud of confusion and contention now affecting the public mind.

Let me, therefore, pose the question before you in the position in which it seems to me to stand in the midst of all of this turmoil of argument over OPA.

Beginning at the White House, I quote the President's public statement asking for renewal of OPA "without crippling amendment." In the President's statement, there was no definition of "crippling amendment," but the answer to that question, so far as the point I am presenting is concerned, is not far to seek. Mr. John W. Snyder, Director of War Mobilization and Reconversion, seems to have cleared the point unequivocally through his testimony before the House Committee on Banking and Currency on February 27, 1946—volume I, page 220—from which I quote:

Mr. SNYDER. When supply comes into balance with demand, or approaches balance with demand, I think competition will take care of the pricing, and certainly I would think we should remove the controls at that period.

Mr. CRAWFORD. Regardless of the backlog of buying power?

Mr. SNYDER. I think that we may find other areas that we will have to look to at that time, but certainly so far as products are concerned, whenever the supply approaches demand, I see no reason for continuing control on those products.

Senator CAPEHART. Mr. Chairman.

Senator TAYLOR. Senator Capehart.

Senator CAPEHART. After Mr. Snyder's making that statement I am wondering why the President, Mr. Bowles, and others called the particular amendment in the House bill a "crippling amendment"

when it did exactly what Mr. Snyder states, in the statement you just read, that it should do.

Mr. WILLIAMS. Mr. Chairman and Senator Capehart, I am not familiar with any statement from the White House that characterized the particular amendment of the House bill that involves this situation as a "crippling amendment."

Senator CAPEHART. The point was that they did not define the "crippling amendments"; they simply left the impression with everybody that every amendment was a crippling amendment.

Mr. WILLIAMS. And that is exactly, Senator Capehart, what I am trying to go away from in this argument.

Senator CAPEHART. That is right.

Mr. WILLIAMS. Mr. Snyder, as close to the President I think as anybody in Washington and, so far as I am concerned at least, established as a spokesman for the White House, has testified that wherever supply comes in balance with demand he thinks controls should go off.

Senator CAPEHART. And the House wrote such an amendment. Now, they may have been somewhat wrong in their formula—I do not know—but at least they tried to do what Mr. Snyder said should be done.

Mr. WILLIAMS. If I may submit my own view of that particular House amendment, I think the only defect in it is that it isn't quite sharp enough or quite clear enough.

Senator CAPEHART. That is right. But I mean they at least tried to do what Mr. Snyder said they should do. And yet we have those who go on the radio and write to the newspapers and say that everything the House did was a crippling amendment and that it was going to ruin OPA and just couldn't be done.

Mr. WILLIAMS. You doubtless suspect and I am happy to confirm that I do not carry that view.

Senator CAPEHART. I certainly do not carry it.

Mr. WILLIAMS. With the question I am discussing thus shown clear of White House resistance and not regarded as involving a crippling amendment, I turn to the status of the question in the OPA administration. OPA Administrators, from the birth of the Bureau until very recently, have so frequently asserted the proposition to which I refer that even counting the instances of such assertion would be difficult. Ralph Robey, in last week's News Week, or whatever the publication is—

A VOICE. This Week.

Mr. WILLIAMS. This Week, excuse me—said "hundreds of times."

As a typical example of a multitude of statements to similar effect through some 3 years, it is sufficient to quote Mr. Bowles speaking in New York last December, as reported in Vital Speeches, issue of January 1, 1946, in which he said [reading]:

Price control should and must be removed as rapidly as supply conditions permit. * * * in industry after industry during the next 12 months we will find supply and demand coming into balance. As that occurs, I assure you that your Government will move promptly to eliminate the last vestige of price restrictions in those industries.

Of course, I am not unmindful of the fact that despite 3 years of assertion of this principle and of the dishing out of this assurance, the OPA administration is currently engaged in attempting to get away from that proposition and in trying to keep the Congress from legislating with respect thereto.

Senator MITCHELL. Are you going to point out specific instances of that in your statement?

Mr. WILLIAMS. Yes, I am. And if I do not, Senator Mitchell, to your satisfaction, I trust you will ask me to follow it further.

Senator MITCHELL. Very well.

Mr. WILLIAMS. I want to deal with that later in this argument and in doing so I propose to trace the development of the new position, try to uncover the fallacies involved, search for the motivations behind the new position and refer briefly to some of the hurts involved for our economic machinery and its operation if OPA is permitted to repudiate its long-acclaimed and almost universally accepted principle and operate, instead, on the new policy which it has established for itself and for which it seeks approval at the hands of the Congress.

But, having posed the question in relationship to White House position and to OPA's oft-repeated declarations of policy, let me suggest that the question I am discussing is equally free from involvement in the present barrage of propaganda that is each day being leveled at the Congress through all of OPA's multiplied channels and mechanisms of propaganda. I hasten to add that I have no fears of undue influence on this committee or the Senate or the House through that propaganda which by its own methods and on its own face indicates so clearly both its character and its inspiration.

I cannot tell anybody in the United States Congress anything new about the methods of modern propagandists or what is to be expected out of a bureau with thousands of employees scattered all through the country and under the leadership of an expert propagandist who with some of his close associates is in the press or on the radio almost every day and night with a suggestion to hearers and readers that they should pile on you gentlemen more and more of his suggestions as to how you should deal with this important national problem. The only point that I want to make in this area of the situation is that, so far as I know, the point I am discussing is not to any substantial extent involved even in all of that flood of propaganda. In other words, even if through such a deluge of propaganda a question before the Congress can be made a political issue and decision thereof be affected by political considerations, the question I discuss is not so posed. Fortunately, under these circumstances the question can be presented and can stand for consideration as an economic question and not as one that has been given high political significance.

Senator HICKENLOOPER. Mr. Williams, may I make a suggestion right there?

Mr. WILLIAMS. Yes, Senator Hickenlooper.

Senator HICKENLOOPER. I suggest, Mr. Williams, in connection with your paragraph on propaganda that has been so astutely built up in this country in the last few months, that there is a new emphasis on a very ominous note in connection with that propaganda, and that is the propaganda of fear that is being built: a fear propaganda without being documented by adequate facts.

Mr. WILLIAMS. And presenting quite an inconsistency as against another propaganda with "fear" as the subject of the sentence.

Senator HICKENLOOPER. I just wondered if you had noticed that same fear propaganda is increasing and increasing and increasing with this organized effort.

Mr. WILLIAMS. You will find in later parts of this statement that I have tried to hang an adjective or two on the proposition to which you have reference now, Senator Hickenlooper.

Senator HICKENLOOPER. And I say this with all due respect, but a few years ago—a very few years ago—we were told by high Government officials themselves that all we had to fear was fear itself. I believe that statement was used; and yet we find a Government agency now bottoming the most extensive propaganda this Nation, at least, has ever seen, on fear and instilling that into the minds of people.

Mr. WILLIAMS. I assume you refer to what Mr. Chester Bowles, his associates and allies, are doing. If you do, I could not make other than an emphatic affirmative answer to your suggestion.

Senator HICKENLOOPER. I refer exactly to that.

Mr. WILLIAMS. Speaking to the question, therefore, as an economic question not handicapped by any White House position or any such involvement in any current propaganda as would give it political significance, my point of departure will be found in the picture and process through which OPA officials—despite their years of declaration of allegiance and fidelity to the proposition that as soon as supply is in balance with demand in any industry they will take the controls off—have tried to slip those sound and ancient moorings and continue to hold controls even after all originally assigned and sound reasons therefor have disappeared.

The process began at about the time the end of the war was clearly foreseen. Somebody in and around OPA seems to have gotten nervous—certainly solicitous—when the realization came that Government buying would soon go out of the picture and that with it, sooner or later, in industry after industry all of the originally assigned and sound reasons for price control by Government would go out of the picture. To test my suspicions as to what OPA administrators would do under that prospect, I went into the OPA offices with the suggestion that inasmuch as tobacco products were now in full supply I assumed that, in line with their oft-repeated assurances to that effect, controls would be lifted promptly from that industry. I got the answer:

Oh, no. Let me give you a copy of our new Directive No. 68.

You gentlemen are doubtless familiar with that directive as the one into which there was incorporated the new idea that even when supply should come into balance with demand, price controls would not be lifted except as OPA could be assured that on the lifting of controls there would not be any increase in the price of the goods. In other words, if through its exercise of the power of price control in the service of the war emergency OPA had been holding prices at a destructively low level, the new policy would continue so to hold them.

The viciousness of the rule appears when it is remembered that throughout the emergency OPA was continuously admitting that many of its ceilings were working destructively on individual units in industry and were justifying that admittedly otherwise unjustifiable result by simply telling complainants, "We are in a war. This is an emergency situation. We can't attempt now to relieve against destructive results of our policies and standards so long as an industry taken as a whole is experiencing a general result not below its prewar experience."

At about the same time there began to appear in the speeches of the Administrator of OPA and his prime associates a suggestion, kin to the proposition in the order under reference, to the effect that even when supply of the product of an industry is in balance with demand, controls would not be taken off until there was some evidence of a softening of price—as if there is any point on taking off the controls when price is softened to a level below the control level and, conversely, as if there could be any softening of price where OPA was holding a too-low ceiling on the suppliers involved.

The question of whether that formula leaves a possibility for an industry that is under a too-low price ceiling ever to meet the conditions of the formula is presented. But at the moment I am only tracing the development of the OPA position I shall attack from some other angles. Neither shall I digress now to follow the question of what Mr. Bowles' position could have been in December 1945, many months after Directive No. 68 had been procured for his uses and after the idea of price softening or assurance against price rise had been incorporated in many OPA statements when he said so unequivocally to businessmen in New York that [reading]:

* * * during the next 12 months we will find supply and demand coming into balance. As that occurs, I assure you that your Government will move promptly to eliminate the last vestige of price restrictions in those industries.

To eliminate any possible question as to what OPA's present policy is, let me remind you that on my call at OPA prior to the date at which Mr. Bowles made the above statement and when, following discontinuance or reduction of Government buying, tobacco products were in ample supply in this country I was told that despite all prior assurances to the contrary, controls would not be removed for that cause. But going further, let me point to an official order made in January 1946 removing a prior inhibition against the sale of single cigarettes, in the body of which order OPA states that [reading]:

In the period since May 12, 1945, * * * the supply of cigarettes of all brands has gradually become ample and also states that—

With the cigarette shortage having abated, the prohibition is removed by the accompanying amendment.

And, finally, within this week and on April 30, 1946, there was sent out from Washington a United Press dispatch stating [reading]:

An OPA official today rejected industry demands that price ceilings be removed from tobacco and tobacco products.

Sol Arthur Segal, price executive for the grocery products branch, told the Senate Agriculture Committee such action would be unwise.

"We feel we cannot decontrol any significant tobacco products because of our feeling that prices would increase without control," he said.

Segal was called to answer the industry's viewpoint, already before the committee.

He said there is no tobacco products shortage—"with the exception of cigars."

I do not want, gentlemen, to get this discussion down to an industry or a company basis. I referred to these incidents in the record of what has been happening in the industry with which I am identified because in them are found official findings, unequivocal statements by the OPA itself, to the effect that the conditions which until recently represented the sum total of condition that had to be met before controls would be removed, have in this industry been met;

and in these references there is the expressed denial that controls will be removed even though all the conditions have been met.

I have not seen the stenographic report of that part of the proceedings before the Senate Agriculture Committee, but I have no doubt that Mr. Segal was quoted correctly. At any rate, I know that tobacco products other than cigars—which is an industry within itself—are in ample supply, and I think my quotations from OPA officials established the fact that they have been officially adjudged as being in ample supply.

With the factual background thus established, I want to ask this question: When will OPA administrators find an occasion and a time for removing controls from an industry if they do not find it in a situation where, with the war emergency well behind us, supply of the goods is in balance with the demand therefor?

Let me repeat that question for emphasis:

When will OPA administrators find an occasion and a time for removing controls from an industry if they do not find it in a situation where, with the war emergency well behind us, supply of the goods is in balance with the demand therefor?

My answer to that question is that those officials will never find such occasion or time because they want to see a Government bureau control prices instead of leaving prices, as we have traditionally done, to find their level in a free competitive market where the goods are in supply.

This country either believes in the free competitive system or it does not. I think it does, but there isn't time enough left in this week for a recital of the various theories that those in and around OPA have put forward as reasons for continuing price control in industries where all of the originally assigned and sound reasons therefor have disappeared. The common characteristic of all of these assigned reasons seems to me to be their earmark as part of an attempt to advance splendidly the cause of a planned and controlled economy in substitution for the free competitive system under which the people of this country have lived and fared so well and in which they believe to such an extent that we have sent millions of our boys to fight on foreign soils to eliminate some foreign ideas which if not eliminated could not have failed in the end to drive us away from our traditional forms of institution and activity. The right to continue to have in this country competitive operation of industry in the hands of free men in free markets was part and parcel of the package of freedoms for which we and our allies fought the rest of the world and there is no better measure of the depth of the determination of those who would destroy or impair this American method than the fact that the kind of attack I am now resisting is here and now brought against that industrial method when, in the opinion of every man whose thought I know, this country found in that distinctively American system, and only in it, the capacity and ability to produce what it took to win the late war.

I must not give more time to the disappearance of reasons for continuing price control in industries where supply is or shall come to be in balance with demand or to the reasons of some of those in and around OPA for advocating such a policy.

Let me now proceed affirmatively to the listing—and I shall hardly have time for more than a mere listing—of some of the hurts that

can readily be foreseen for the American people in continuing price control in areas of the economy where it is no longer necessary.

(1) In continuing price control where supply of the product of an industry is in balance with demand, injustices, heretofore continuously admitted by OPA but justified by them during the war period on the basis that war conditions and emergency requirements left the Bureau no chance to correct them, will be continued with great hurt to some phases of the industrial set-up without any necessity therefor.

For instance, under OPA's industry rule, no relief was provided for an individual producer—even though he was a high-cost producer because of his insisting on using high-quality raw materials in his product and operating under liberal wage policies—if the over-all returns of profit to the industry in which he was engaged were not below the returns for the prewar period. Simply to state such a proposition reveals both its unfairness and its destructiveness in the American economy.

Senator MILLIKIN. I should like to add: and its complete stupidity.

Mr. WILLIAMS. I shall not resist the suggestion, of course, Senator.

The American people want many high-quality goods, along with cheaper goods, and American manufacturers should have the opportunity to supply them, particularly when in supplying them they are serving handsomely the raw material markets and the wage interests of workers, along with the demands of consumers.

(2) At the other end of the quality or cost ladder, it has been unmistakably demonstrated that OPA policies have driven from the market or into the black market many of the more reasonably priced lines or qualities of goods. Why should the citizen who desires to purchase and use more reasonably priced lines or qualities of goods be denied by a Government bureau the opportunity of so doing when there is no longer emergency reason for continuing the controls that develop that result?

(3) Probably the most destructive of all of the bad results from a continuation of price control when the necessities therefor have disappeared is to be found in the fact that such continuation establishes and maintains a pressure in the direction of reversing one of the most important fundamental concepts and methods of American industry. I refer to the fact that, distinctively in American industry, the rivalry between producers found its best expression in a determination to make a better product for the money than could any other man in the business. This is the historical better mousetrap maker in New England and it is a lot of the rest of the industrialists scattered all over this country. It is the principle and the aspiration which has made this country's produced goods go entirely out of the class of goods produced in other parts of the world and that has given the American citizen his superior standard of living.

The point here is that under price control when the ceiling is too low—and you have had that in hundreds of instances in this country in the last few years—this normal and magnificently effective American incentive is reversed. I am not complaining about that reversal when it was necessary to serve a war emergency. I am talking about what kind of policy we should work under now that the war is over and when in many industries we have a full supply of goods and can go back to the old basis and restore the old effective incentives. I need not tarry to emphasize here the already thoroughly established

fact—that under ceilings which presented the inability to charge more, and under the necessity of staying in business and doing the best one could, there developed in a great many industries competition, not in the direction of making better goods than the other fellow—the best that could be made for the money—but in the direction of making the cheapest and shoddiest thing that could be accepted in the price category. That is an unhealthy situation.

A lot of us refused to yield to that pressure thinking it more important to maintain the standards of quality of whatever we made whether we made much or little out of it during the emergency period. But while it is possible to follow that policy for a while in meeting a national emergency, it is not possible in the face of ascending costs to keep on and on under that policy and still stay in business. Unless, as Mr. Bernard Baruch suggested to the House committee, we can get away from all of the bunk about it being possible to continue to raise wages and raw material costs without appropriately increasing price, some results more tragic to the interest of the American citizen than he now realizes are going to develop and develop promptly in American industry.

Senator MILLIKIN. Mr. Williams.

Mr. WILLIAMS. Yes; Senator Millikin.

Senator MILLIKIN. With respect to that paragraph, isn't it almost the inevitable result of human nature that where a rigid price ceiling is fixed that is below cost the only road that the producer has to follow is to make shoddier merchandise in order to decrease his costs?

Mr. WILLIAMS. He can take the one other road—the end of which is destruction if the condition prevails long enough. That is, he can continue to let his own determination in the direction of quality as reflected from high cost paid for raw materials and liberal wage policy just eat up his profits and eventually cut into his capital and swallow him. That is the only long-run alternative.

Senator MILLIKIN. That is true, but I question the directive along this line: Isn't it the ordinary and usual trend of human nature under a frozen ceiling—the trend is to decrease quality?

Mr. WILLIAMS. Assuredly; yes.

Senator MILLIKIN. In order to increase profit return.

Mr. WILLIAMS. Assuredly, yes; because business people have to remain able to stay in business and have to have some profit to stay in business in order to keep the necessary capital behind them in the business.

Senator MILLIKIN. I realize there are people today that are keeping their quality high and their wage scales high at a loss, either in order to maintain the quality of their merchandise or to maintain their reputations, or/and in desperate hope that some day they will be able to get back on a profitable basis.

Mr. WILLIAMS. You also realize that meanwhile they are taking plenty of what is commonly called belly punches too. That is assuredly what is happening, and it is a thing that I am determined to characterize as probably the most destructive of all of the effects that flow out of continuing price control when you no longer need price control for the original reasons assigned therefor. We have had in this country—if I may stick for one more minute to the line that Senator Hickenlooper suggests—we have had, by everybody's admission and even by their assertion, the greatest rivalry between producers of

everything from mousetraps to electric locomotives that has ever existed in any part of the world, and we have had good goods.

I am crying out loud, Mr. Chairman and gentlemen, against the prospect of the ability of the American manufacturer—the right, the privilege, if you please, of the American manufacturer—to continue to work under that concept, being taken away from us. And I am not crying just for myself; I am crying for the American citizen, if you please. He has not denominated me as his representative, but that is what we are all thinking about—the welfare of this country; and if this thing is permitted to reverse the incentives in American industry, in terms of the qualities of goods that it will turn out, then destruction in the industry of this country of a kind that we have never yet experienced is right ahead of us.

If anybody wants practical application of it, go buy a child's dress that is still on the market in the low-price categories, if you can find one. Most of them have been driven out, but occasionally you can find one. Compare it with the quality you got in that category in prewar days.

I mustn't linger too long. I believe I was down to (4), Mr. Chairman.

Senator TAYLOR. Yes.

Mr. WILLIAMS. (4) A continuation of price control along the lines of the policies under which it is now administered will not only retard that restoration of production to which everybody looks for relief from the threat of price inflation but in industries where supply is already generally and substantially in balance with demand such continuation of price control will greatly limit the expansion of industry.

In this country, practically all of the great, rapid expansions of production of goods of any kind have been accomplished, or at least accomplished more rapidly and more fully, through the use of advertising. The Congress recognized that fact, and, in authorizing the OPA Administrator to fix prices, the Congress expressly provided that he should not so fix them as to force the abandonment of the use of aids to distribution—advertising and kindred activities. But the OPA Administrator, in that as in so many other instances, saw fit to ignore the requirement of the Congress in that regard and has held to his price ceilings despite the fact that in some instances they were so low as to deny to the producer of the goods the possibility of having funds available for use in advertising them and increasing his production thereof.

Senator MILLIKIN. Mr. Chairman. It has not escaped the witness, however, that OPA has done considerable advertising on its own account.

Mr. WILLIAMS. There is nothing in industry that has been able to get within a stone's throw of what OPA has accomplished in terms of mechanisms for and operations of the mechanisms for doing its advertising.

Senator MILLIKIN. Is your company a member of the National Association of Manufacturers?

Mr. WILLIAMS. We are a kind of a long-range member. Don't let me sound like I am apologizing for being identified with the National Association of Manufacturers. I am not. I am not active in that association; do not work on that board. I used to be a member of the board of directors and a vice president of it.

Senator MILLIKIN. I think perhaps that there is a just apology due from you and the other members of that association in that with all the values involved here the best you could do was to put on a miserable, piddling \$300,000 campaign to offset the OPA campaign. Now, you fellows have got to let the moths out of your pocketbooks. You have got to get busy if you think this thing that is valuable is worth keeping, and I hope that never again will you be confronted with an issue such as you have been confronted with here and limit yourselves to a \$300,000 offset campaign. Why, you gentlemen in the cigarette industry will spend a couple of million dollars in advertising. I hope——

Mr. WILLIAMS. If OPA would leave us margin enough with which to do it, we would spend 15 or more.

Senator MILLIKIN. Yes. And I hope that you transfer that same zeal for advertising to your association and get it to put on a campaign that is a campaign; that will bear some semblance of meeting the campaign on the other side. Why, one of the labor organizations involved, by passing the cap, can collect a couple of million dollars, and does so, and spends it very effectively. Yet here you gentlemen in an organization that represents 70 percent of the production of the country—I don't mean controls it, but represents 70 percent of the production of the country—you come up with a \$300,000 campaign. You ought to be ashamed of yourselves. [Laughter.]

Mr. WILLIAMS. Mr. Chairman, may I say to that suggestion——

Senator MILLIKIN. I don't want to make you feel too bad.

Mr. WILLIAMS. I really am not feeling bad, Senator, if I may say in that way, with respect to that—but this: I think we have come to the place in this country in the development of bureaus and the toleration of methods of bureaus, and the extensiveness of opportunity of bureaus for perpetuating themselves, that I would express a great deal of doubt as to whether or not the business community, if it were disposed so to do, would have a chance in the competition with them in the matter of propaganda to the American people; and without attempting to make a speech on that, let me say that my faith is rather more in opportunities like this to present facts and opinions and arguments to the men in whose hands the determination of these questions really lies.

I know that the wires of the country are full of messages every night and the mail full of letters every morning and the desks heaped with telegrams every morning, in this process that you refer to as in operation in this country, but I have not thought that any of you gentlemen who sit around this table and on the floor of the United States Senate were really misled with respect to that.

Senator MITCHELL. I would just like to say I wish the organizations which are spending money on this program would spend it on the development of the facts, in bringing factual matters in here, instead of propaganda in to this committee. I think this committee would get along a lot better and do a lot better job for the American people if all of the people who came before it would try to present the facts.

Mr. WILLIAMS. The Senator describes my aspiration as I come before the committee. I hope I have not disappointed him in pursuing that aspiration.

Senator MITCHELL. I wish more of them had your objective point of view.

Mr. WILLIAMS. I think this thing is simple, Mr. Chairman and gentlemen, if we forget the propaganda and get al the fuzz and feathers off of it. I have never been able to get any statement out of OPA that didn't look fuzzy when I got it. If they tell you anything, it is so fuzzy it is unintelligible. I register that complaint against them. Businessmen do not work that way. They do not understand working that way. They are not trained to work that way. I do not think it is a good way to work anyhow.

Senator CAPEHART. This matter is strictly one of business, and not evangelistic statement.

Mr. WILLIAMS. And business travels on facts and figures and economic principle, and it is going to be traveling there until it is destroyed by Government bureaus taking hold of it, if that ever happens.

Senator HICKENLOOPER. A question that is purely one of curiosity, and perhaps you do not know the fact, Mr. Williams: Has OPA ever controlled or dictated the fees or the prices of advertising agencies? Do you know? Are they under OPA control? I do not know whether you would have knowledge of that, but you are a good-sized advertiser, I see here.

Mr. WILLIAMS. I have no answer—I haven't the knowledge out of which to answer the Senator's specific question in the terms in which he lays it, but I make this suggestion: That the administrative group in OPA can get away with ignoring a perfectly plain mandate of the Congress and fix a price ceiling so that there is no room in there to have any advertising budget. Then I think an answer to the question is that they *can* control, and that they *do* control *advertisers*—and I will tell you in a minute, in this statement, that as far as R. J. Reynolds Tobacco Co. is concerned they controlled its advertising to the extent of forcing \$6,000,000 out of its advertising budget in 1944, and \$4,000,000 more in 1945.

Senator HICKENLOOPER. I was not referring to that, Mr. Williams. I realize that you can control the income of a man by cutting off his pocketbook. That is very true. But I wonder if in the mechanics of price control whether you have any knowledge that the OPA has gone in and told people who solicit advertising business how much they can charge for the services as advertising agents.

Mr. WILLIAMS. I have never heard, Senator Hickenlooper, of that subject being approached. I am sure you know that as far as advertising agencies are concerned there is not, so far as I know, in that field any competition over rates that should be charged for advertising. That is fixed. Newspapers give certain discounts to advertising agencies. The agencies do not allow the advertiser to have any part of that rebated to him; so with magazines, and so on. So there is not in that area of industry—if it be industry, and I think it is an adjunct to the industrial field instead of an industrial field—there is not any of this thing of price regulation. That is already disposed of by the mere status and set-up of industry. It is 15 percent on whatever the advertiser spends: that is the great generality of position with respect to it.

Senator MILLIKIN. I just want to make—

Mr. WILLIAMS. Of course, that is a thing that has existed almost from time immemorial. OPA did not erect it. It has been a fixture in the advertising situation ever since I have known anything about advertising.

Senator MILLIKIN. I just did want to make one additional suggestion. I think you are quite right theoretically in your reliance on the Congress to try to reach a right decision in these matters; but when a business problem becomes a political problem, as this one has, I think that people in business should take adequate steps to sell their case to the public just as their opponents sell their case to the public. That is what I wanted to get over, and I am very, very serious about that.

One of the scarce items in many places in Washington is guts.

Mr. WILLIAMS. I agree with the Senator very heartily if I may say it this way: That when the institutions of this country and the principles upon which the institutions of this country operate come under attack with the potentiality of hurt, of destruction and injury to the people generally, then businessmen owe it to stand behind their political representatives, or before them, and present the facts and the opinions which, as they think, represent reasons why what they represent should not be destroyed.

I agree to that very heartily, which I understand is what the Senator is suggesting. I do not think we have a right to stay home and let you all who happen to have political exposures, sit here and stand yonder and take all the punishment without benefit of support from those of us who believe as definitely as some of us do believe in some of these areas of business or economic questions.

Did I, Senator Hickenlooper, cover what you had in mind?

Senator HICKENLOOPER. Thank you.

Mr. WILLIAMS. Thank you.

I am talking about what happened to advertising, still. When some such instances were called to the attention of the Administrator, and there is nothing fictional about that because your witness called them to the attention of the administrators themselves, the Administrator's answer was that he was not required to grant any relief because there was a question in his mind whether the Congress intended by that provision to prevent his fixing prices that would force out advertising if in fixing the prices he did not *expressly intend* thereby to force the abandonment of the use of advertising—as if the proposition were one of criminal law and intent were involved. The Congress simply said that he could not fix a price that forced the abandonment of aids to distribution—advertising—but the Administrator forced and continues to force the abandonment of such aids and thereby impedes greatly sorely needed expansions of industrial activity in this country. R. J. Reynolds Tobacco Co. had to reduce its advertising by \$6,000,000 in 1944 and by an additional \$4,000,000 in 1945. And that is why I was down there raising that question with the Administrator.

Senator MITCHELL. How did that work out in practice? How did that force you? You say "had to reduce its advertising." How did that come about? Did you ask for an increased price to allow this advertising?

Mr. WILLIAMS. We asked for an increased price on the basis that if we did not get it we would be forced to abandon a large part of our advertising, and we were told so definitely and categorically that we had no chance under the industry rule to get a price increase, that we did not file a formal application for it. It was an informal approach, Senator Mitchell.

· Senator CAPEHART. Mr. Chairman.

Senator TAYLOR. Yes.

Senator CAPEHART. One question. What are cigarettes selling for? Fifteen cents a package?

Mr. WILLIAMS. Cigarettes sell at a range of prices from 13, two for a quarter, on up to 16 or 17 cents, depending upon the place, the kind of place at which you buy.

Senator CAPEHART. On a 13-cent package, what is the tax?

Mr. WILLIAMS. The tax on a 13-cent package of cigarettes is 7 cents.

Senator CAPEHART. And you as the manufacturer receive 6 cents for it?

Mr. WILLIAMS. Oh, a great deal less than that. We receive——

Senator CAPEHART. That is, you receive—or no; the dealers receive 6 cents, the retailer?

Mr. WILLIAMS. That is right.

Senator CAPEHART. And out of the 6 cents——

Mr. WILLIAMS. That is out of the 13 that he receives.

Senator CAPEHART. Seven.

Mr. WILLIAMS. Seven going for tax, 6 goes for the goods—including his profit and the wholesaler's profit and the manufacturer's profit and costs.

Senator CAPEHART. In other words, the 6 cents represents the tobacco raised by the tobacco grower, the transportation, the making of the cigarette, the profit on it, the wages, transportation to the wholesaler and to the retailer, and the wholesaler's profit, the retailer's profit, the manufacturer's profit, is all in a 6-cent package of cigarettes?

Mr. WILLIAMS. Speaking from a retail counter at which cigarettes are selling at 13 cents a package, your analysis and description is correct.

Senator CAPEHART. Yes.

Mr. WILLIAMS. Seven out of the 13 cents goes to the United States Government, approximately \$1,000,000,000 a year.

Senator TAYLOR. As a direct tax or a hidden tax?

Senator CAPEHART. Direct tax.

Mr. WILLIAMS. It is that little blue stamp there. I can exhibit the stamp better than I can define the status of the tax.

Senator TAYLOR. Full 7 cents?

Mr. WILLIAMS. That is so.

Senator CAPEHART. In other words, the tax is greater by 1 cent than all people concerned in the manufacture, sale, and distribution of cigarettes make out of it, out of a package?

Mr. WILLIAMS. That is correct as against a 13-cent retail price.

Senator CAPEHART. Yes; but at 15 cents the tax would still be 7 cents?

Mr. WILLIAMS. That is right. At 14 cents the break is even. This little thing has 7 cents in it [indicating stamp]. We send a check to the Government many mornings a week for half a million and more dollars to buy this, and that is 7 cents of what is in this package, and in that retail price of 13 cents.

Senator CAPEHART. Mr. Williams, do you think the average person that buys a package of cigarettes realizes that?

Mr. WILLIAMS. No; they do not, Senator.

Senator HICKENLOOPER. Well, that does not include all your tax, Mr. Williams; that is just more in the nature of an excise tax.

Mr. WILLIAMS. Oh, that is just one we collect for the Government, and then the Government comes along and collects a whole lot on its own behalf. There is no property tax or immunization there against—no income tax, no excess-profits tax, no license tax, no franchise taxes involved in this stamp situation. That is just the Government's take that we collect for them.

Senator MITCHELL. You will be able to reduce your advertising budget this year?

Mr. WILLIAMS. No; it's already too low and I am sure that fact will have some sympathy at the hands of some of those present here. I believe I was down to where I had said that we had reduced advertising by \$6,000,000.

Senator TAYLOR. Mr. Williams, inasmuch as Mr. Bowles is engaged in the advertising business it cannot be said that he is favoring his industry when he forces this great cut in the advertising business of the various companies.

Mr. WILLIAMS. That act in itself was not favoring the industry in which he used to be.

Senator TAYLOR. He is no longer in the industry now?

Mr. WILLIAMS. I can't say, but I know he used to be in that industry.

Senator HICKENLOOPER. I think he testified he had not been connected with the advertising business since he came into OPA.

Mr. WILLIAMS. I am sorry, Mr. Chairman, I don't have the facts with respect to that.

(5) The continuance of OPA control of prices in this period where they are no longer serving any emergency purpose has had and will continue to have increasingly disastrous results on some phases of this country's foreign trade with consequent destructive effects in some segments of the American economy and particularly on producers and others operating in those segments.

Without time to develop the point in detail, let me illustrate it briefly and point it up sharply to a situation affecting directly and particularly citizens of all States whose economy is substantially affected by the growing of leaf tobacco, and, broadly, of course, all who are concerned with the general status and the health of our economy.

As you gentlemen know, there are 10 or 12 States in which tobacco is a very substantial part of the economy.

Specifically, and very briefly, tobacco growers in the Southeastern States grew last year approximately 1,200,000,000 pounds of flue-cured leaf tobacco while growers in the burley-producing States—Kentucky, Tennessee, and several others—were growing around 600,000,000 pounds of burley leaf.

Ordinarily, more than half of this country's crop of flue-cured tobacco is exported. That fact has a very vital relationship to all concerned in any way with the tobacco industry or this country's foreign trade and is particularly vital from the farmer's point of view.

Not all of the leaves from a tobacco plant are satisfactorily usable for domestic consumption but, of course, there is no way to train the plant to produce only those leaves that are so usable.

The farmer has to look to the foreign markets for disposal of about half of his flue-cured crop and the manufacturer and all concerned with the tobacco industry, down to the consumer—

Senator TAYLOR. I am sorry to interrupt you, sir, but they are calling for a quorum over on the floor and ask that the Senators be there personally. We will have to go over and get our names on the roll.

Senator MILLIKIN. All of us?

Senator TAYLOR. I am afraid so. The Sergeant at Arms has requested us to be there. We will be arrested if we don't go. We will be back as soon as we can.

Mr. WILLIAMS. I shall be comfortably standing by.

(Whereupon there was a recess at the conclusion of which, the proceedings were resumed as follows:)

Senator TAYLOR. The committee will come to order, please.

Mr. WILLIAMS. Mr. Chairman, shall I proceed?

Senator TAYLOR. Please, Mr. Williams.

Mr. WILLIAMS. The farmer has to look to the foreign markets for disposal of about half of his flue-cured crop and the manufacturer and all concerned with the tobacco industry, down to the consumer, are interested in his continuing to be able to do so because the farmer must have a satisfactory return from his crop and if he gets nothing or too little from the part of it which now goes to export, he will have to have more—and much more—for the part of it that is used for domestic consumption.

Senator MITCHELL. Of course, he is getting a very good price for export tobacco now, is he not?

Mr. WILLIAMS. To the extent there is a market for export tobacco. I think there is nothing in the statistical showing as to tobacco exports up to this time that indicates the necessity of worry on this part, but I remind the Senator that the United States Government under lend-lease has been buying the export tobacco for foreign countries. I speak to the prospect just ahead instead of to the historical record which is behind.

Senator MITCHELL. Well, you don't mean they are purchasing tobacco under lend-lease now?

Mr. WILLIAMS. I don't; but the sentence I was going to add is that since they are not purchasing tobacco under lend-lease the dealers in tobacco who have ordinarily sold half of the flue-cured crop to the foreign markets of the world are having a great deal of difficulty in finding purchasers able to buy at present prices. We have a situation where one of the things that has been bought from us has been artificially forced up beyond their reach.

Of course, I am not speaking of the part of our flue-cured crop that goes to the British-American Tobacco Co. and to the Imperial Tobacco Co. of Britain and Ireland. Britain will have to get a good deal weaker than she is now before they will not be able to buy tobacco, but the answer to that is that Britain is having that kind of tobacco grown up in Canada and in Rhodesia and in other areas of South Africa in order to avoid having to buy from us.

Senator MITCHELL. But at the present time the thing I am thinking of is the need we have in Washington State for nicotine sulfate. They use a dark burley for that, but the price of that tobacco is too high to permit its use in the making of the insecticide and the story

we get is that the foreign buyer is paying a price which makes it impossible for the insecticide company to compete.

Mr. WILLIAMS. Without knowing the facts of the specific situation to which Senator Mitchell refers, several facts I do know. Nicotine sulfate is ordinarily recovered from the stems of tobacco after the stems are taken from the leaf before the resulting strips, which is the part of the leaf after the stem is taken out, are put into manufacture. That is the regular source of it. There is another source that has developed in recent years since the price of nicotine sulfate has gone up so high.

Some areas in the country have been found suitable for growing tobacco expressly for nicotine sulfate content. That, instead of growing 3 or 4 feet high, grows 8 or 10 feet high, a rank, rapidly growing plant out of which the sulfate is recovered.

Now, so far as I know that tobacco grown expressly for that purpose in that rank form has never been regarded as usable in the manufacture of consumable tobacco products. If foreign countries are buying that, I would say that that is some evidence of the extent to which the proposition I am talking about is already at work in the world. I think it would represent an interesting illustration of where, under their inability to buy the kind of tobacco they ordinarily have been able to buy, they have had to drop the level of their requirements and are seeing if they cannot find something else that is usable.

Senator MITCHELL. Which would indicate a world shortage of tobacco today.

Mr. WILLIAMS. I don't think there is either a world shortage or a world longage of tobacco indicated at the moment. Certainly there is no shortage of tobacco on this country or for domestic consumption in this country at the moment. I must drop a postscript to that to remind you gentlemen that when I speak of leaf tobacco itself as not under shortage at the moment, I am necessarily talking about tobacco that is not available for manufacture at the moment because it has not yet sufficiently been cured with respect to the leaf.

When I speak with respect to manufactured tobacco, I speak of tobacco that has matured enough for manufacture. At the moment I think there is no shortage in this country in either of those two categories. I think the question is adjudicated officially for me by these findings of the OPA which I have already noted in this statement. I think those foreign countries would use enormously more tobacco than they are now using except for this thing I am talking about, the high price and their inability to pay that high price, and that is one of the objectives—meeting that is one of the objectives I have in making this point.

Did I answer you, Senator, satisfactorily?

Senator MITCHELL. Yes, thank you.

Mr. WILLIAMS. That brings in the question of the ability of the foreign purchasers to take and pay for the part of the crop that normally goes to them. But foreign purchasers, with possibly an exception or two in Great Britain, are not now able to pay high prices for leaf tobacco.

Yet, OPA wants to continue its ceilings on leaf tobacco despite the fact that, paradoxical as it may seem, it was those ceilings that were largely responsible for forcing the price of export tobaccos above the limit which most foreign buyers can pay.

Under the leaf ceilings effective in recent crops, buyers could not pay above a certain average price for their flue-cured purchases and in the burley area they could not pay above a grade price named by a Government official for any grade of tobacco offered. The effect of so preventing domestic manufacturers who use most of the highest-quality leaf from paying therefor the higher prices that would be competitively indicated was to deny to the farmer an appropriate return on those better tobaccos.

Fortunately for him from that point of view, the same process resulted in forcing up the price of the ordinarily cheaper tobaccos so that his average price in a period of strong demand greatly stimulated by Government purchases for war uses was quite good. But, unfortunately for him, now that the pressures accompanying the emergency are no longer in the market, he is confronted with a situation where the price of the tobaccos for whose market he ordinarily looks abroad is so high that a great many of the foreign purchasers cannot even contemplate paying the price.

In attempting to meet this situation, even England is encouraging the production in Canada, Rhodesia, and elsewhere of flue-cured tobacco for which it has traditionally looked to this country. Other foreign countries are attempting to grow their supply at home.

To put the picture in figures, almost all of last year's flue-cured crop, selling under OPA's ceilings, moved in a price range between 38 and 53 cents, whereas, in normal times and judged by the differences in crops and the differences in leaves as they come from different positions on the plant, that range would have been from maybe 5 or 6 cents for a small percentage of the crop to 65 or 70 cents, or more, with the probability of an average approximating that which was obtained.

Similarly, burley grades, selling under OPA ceilings specifically fixed for each grade, moved mainly in a narrow range from 40 to 58 cents, whereas, except for the ceilings, the higher-quality tobaccos would have sold much higher and the lower qualities much closer to their real values with probably about the same over-all result to the farmers.

This problem is exceedingly important to tobacco-growing States; 600,000,000 pounds of flue-cured tobacco represents some hundreds of millions of dollars. The solution of the problem would seem easy, but it cannot be worked out under OPA and its present authorities and policies.

I suggest that the common-sense way to solve this problem is to require OPA to remove all controls from leaf tobacco, whether imposed directly on the leaf or on the products made therefrom, let domestic manufacturers pay whatever the market indicates for the top grades of tobacco ordinarily used in the production of tobacco products in this country and thereby restore to the leaf tobacco markets that normality of position under which we have retained this big foreign market in the past and under which alone it seems to me we will have a chance to retain it for the future.

Even if it is to be assumed that the prices of lower qualities of leaf tobacco will fall back to their normal position in the scale of prices now that the war pressures have passed, the farmer would find himself cut off from recouping the loss thus accruing to him in the average price for his crop so long as OPA control of prices of leaf tobacco or of

products made from leaf tobacco prevents manufacturers thereof from paying the higher prices which a normal market might indicate for the better grades of tobacco.

If I may digress for an explanatory paragraph. Normally, if I may hold up my hand with spread fingers to indicate it, there is a wide range of prices in leaf tobacco grades. The lower grades sell down to five or ten cents in small percentages, and then you work on up in tobaccos that are more useful for chewing tobacco, and then on into tobaccos usable for smoking tobaccos, then into the cigarette tobacco and the prime cigarette tobacco, so that there is a very wide spread.

When OPA put its ceilings on leaf tobacco the effect was to prevent manufacturers or buyers of leaf tobacco from paying prices as high as those top grades ordinarily, under similar conditions, would bring. That effect was worked out in two ways. In the burley, our Government had every pile of tobacco graded by a Government grader and the grade was put on and there was a price fixed on that grade which was the ceiling, above which no manufacturer could pay. He could bid that price and bid no more.

After he had bid it it was a question of whether he got it or somebody else got it. In the flue-cured area the process was a bit different, in that the buyer was required to meet a certain average that he paid for his purchases. The result was the same. Nobody could pay what the top tobaccos were really worth because it put him over his average or it would violate the ceiling if it were above the ceiling.

If I may go back to my hand and close the gaps between those fingers to indicate good tobacco and medium tobacco and poor tobacco selling very close to the same price—that forced process is what lifted the level of the price of the tobacco that goes to India and China and other foreign countries above the heads of those producers.‡

What I have said in this last paragraph is that the market now represents those fingers closed, and that if under heavier leaf tobacco production those lower grades go back down to prices that again permit those grades to go to foreign markets you will have solved to some extent this question of whether we lose our export market for flue-cured tobacco. Maybe that can be done by producing enough tobacco in this country so that those grades will have to go down under an excess supply as against possible domestic use.

The point is you will have defeated the farmer of a proper average for his crop except as, when you develop those conditions and let those lower grades go back down to their normal position, you take the ceilings off, whether on the leaf or on the finished product made from the leaf, and let those top grades go up to whatever the market condition indicates they should go up to.

That, Mr. Chairman, and Senator Mitchell, it seems to me, to be not only the common sense way, but the only way in which there is any opportunity for the Southeast to continue to enjoy what it has enjoyed in the way of a return from flue-cured tobacco from foreign countries.

I think we know commercial and businessmen well enough to know that when once England has developed a source of supply in Canada, which is under a preferential duty rate—I assume it is now—it always has been—and a supply of leaf tobacco in Rhodesia, which is also under a preferential duty rate as it goes into the mother country, it is hardly within the probabilities that such part of the export

business of the southeastern part of this country in flue-cured tobacco as has been supported by Britain and is then covered by these colonial sources of supply, will be available to this country again, particularly at prices we want the farmers in this country to have for their tobacco.

Without more listing of affirmative reasons for discontinuance of price control when supply of commodities or goods comes generally and substantially into balance with demand in any industry, I now turn briefly to a consideration of how the OPA Administrator and his associates have handled themselves in this situation and particularly to the reasons they have assigned for continuing to insist that price control be left in their hands after all the original and sound reasons therefor have disappeared and supply has come into balance with demand.

I have already suggested that when this administrative group began last year to work away from its declarations that were so definitely assertive of the necessity, as well as the policy, of removing price controls when supply and demand came into balance, they moved first to a suggestion that their formerly announced policy would apply only when some evidence of a softening of prices had already appeared and then to the kindred idea, appearing in Directive No. 68, that their oft-asserted policy would not apply except as they could be assured in advance that removal of controls would not be followed by a rise in price.

The fallacies in these ideas have already been suggested, but for the present purposes two observations are pertinent:

First, either formula tends to take the whole of the American economy forever off the competitive price system and make price control by a bureau a permanent part of the industrial mechanisms of this country; and

Second, the position taken did not afford very substantial cover for the advocates thereof as they thus attempted to advance the cause of those who want the hitherto free economy of this country forever hereafter completely controlled and regulated by bureaucrats.

Accordingly, and evidently in a search of better cover, the administrative expression began to incorporate the suggestion that when they are talking about supply being in balance with demand they mean total supply of all commodities and all goods being in balance with total demand for all commodities and all goods.

You gentlemen heard that in Mr. Bowles' testimony at the opening of these hearings before this committee when for the first time in official declaration, so far as I know, the word "total" seems to have taken the key position in his protective strategy.

But, again, the cover is a bit thin since everybody knows that there is not normally any time in a far-flung economy like ours when the total supply of all commodities and all goods is in balance with the total demand for all commodities and all goods.

I heard that for the first time in Mr. Bowles' testimony before this committee at the beginning of these hearings last month, when, for the first time, in an official declaration, so far as I know, the word "total" seems to have taken on a key position in his protective strategy, but again the cover is a bit thin, since everybody knows that in a free economy such as ours there is no time when the total supply of all commodities and all goods is in balance with the total demand for all commodities and all goods.

But, most pertinently here, this position, too, bears the earmarks of a method for making price control by a Government bureau a permanent part of this country's industrial economy.

But the end of the strategy is not yet declared. Even before the date of his late discussion before this committee, Mr. Bowles and his associates had adopted the policy of dangling before the American people the terrifyingly phrased suggestion that if he and his associates were not permitted to continue to control prices as during the period of the war emergency a destructive inflation would overtake this country and all but destroy everybody and everything.

Of course, that is thicker cover in which to operate and, therefore, it is not surprising that most of both the defensive and the offensive operations of the Administrator and his allies have since been from that area.

In fact, that particular cover is so thick and entangled that if the citizen can be led into it the high probability is that he can become so confused and entangled in the various economic concepts there involved that there will be little left for him to do except to desist or to surrender to the suggestions made.

But let us examine that contention. Of course, Mr. Bowles is not talking about currency inflation or credit inflation, since in the ABC's of economics everybody knows that if higher prices have anything to do with those two kinds of inflation the result is to be expected in terms of relief instead of an intensification of the pressures because higher prices draw off inflated reservoirs of currency and credit faster than do lower prices. He was necessarily talking about what he calls price inflation.

And, unfortunately for his contention, the moving upward of prices is only a symptom of general inflation and not at all the cause thereof. Prices go up because of the pressures forcing them upward. And the causes of such upward movement, price inflation if he wants to call it that, are to be found in the areas where those pressures develop and not in the prices themselves.

Moreover, I know of no generally accredited economist who contends that there is any element of inflation in fair prices as developed in a free competitive market with the goods in ample supply against the demand.

Senator MILLIKIN: May I invite the attention of the witness to the fact that the testimony indicates wherever there has been a real pressure against the line that particular commodity has gone into black market. In other words, the line has not held where there might have been justification for holding the line.

Mr. WILLIAMS. But the Senator will agree with me in this postscript if he will let me write it to what he has suggested, a postscript to the effect that when any product goes into the black market it takes as its cost to the consumer a figure very well above and wholly dissociated from the figure that the OPA continues to use as indicating what the citizens of this country are paying for that commodity.

Senator MILLIKIN. I accept that completely.

Mr. WILLIAMS. That is the most pertinent of all effects as far as the statistical showings are concerned.

Senator MILLIKIN. We have had witness after witness here on various lines of business—meat, butter—black market effects through upgrading and so forth and so on—where the selling price has no relation whatsoever to the price-control figure.

Mr. WILLIAMS. If the Senator will let me, I would like to read a paragraph from page 7 of a report of the Senate Committee on Agriculture and Forestry, a report that I picked up today, which is apropos. The statement is this [reading]:

A representative of the Department of Agriculture testified before the committee that the Department—

and it must have been the Animal Industry Division—

had recently completed a study for the purpose of determining what advance over ceiling prices would occur if all subsidies and controls were removed from livestock and meat; and the conclusion is that meat prices at retail would advance from 10 to 15 percent, representing a saving of from 5 to 10 percent of what the consumer is now paying the black market, as well as the \$750,000,000 being paid out annually in subsidies on meat.

The anomaly of the situation to which I was pointing is in a price going up, as against the figures on some of Mr. Bowles' charts showing to where the price is, and after it has gone up you find that so far as the consumer is concerned it has gone down. That is the working of the black market in a great many areas of this country at the moment.

Continuing with my statement, I am not trying to say that there are not situations throughout the economy where if price controls are removed there will be some increases in prices in spite of the fact that supply is in balance with demand.

What I am saying is that if our economy is to preserve the character it has had through all the years of our existence and is to remain sound according to American ideas, there *should be* increases in prices where OPA has been holding prices too low.

Mr. Baruch's characterizing as bunk the idea of pushing up costs illimitably and still trying to hold the line on prices is pertinent and I do not believe that the Congress of the United States believes, any more than does Mr. Baruch or hundreds of thousands of other businessmen in this country, that taking prices out of the arbitrary control of a few bureaucrats and returning them to their traditional position of seeking their own proper level in a free competitive market with goods in ample supply can set off any of the kind of garishly described inflation spirals with which OPA threatens every citizen from day to day.

But I do believe that the detachment of controls as suggested in this statement can put back into the body of our economic system that vital throb of life and health and vigor on which depends, if we Americans believe what we say we do and what we have seen demonstrated so often and so magnificently, the general welfare of all American citizens.

I shall conclude this statement with another reference to my earlier suggestion that the deluge of propaganda that has been put behind this question of extending price control has little, if any, relation to and is not directed at the proposition I have been discussing.

You gentlemen know it, but an example from developments within the week will sharpen the picture—and I believe now it was day before yesterday's papers that carried the announcement from Mr. John W. Snyder, Reconversion Director, that the Advisory Board of the Office of War Mobilization and Reconversion had adopted a resolution the day before in which it—

unanimously urged * * * that the life of OPA be extended for a period not to exceed 1 year.

I read that and then remembered that OPA moves and has its being in a great many forms and areas, so I am not sure I know what—unanimously urged that the life of OPA be extended for a period not to exceed one year—

means; but I do know that on the face of that report, there is no indication that removal of price controls in areas of the economy where supply is or shall come to be in balance with demand was under consideration or referred to. It could not have been. I have already quoted Mr. John W. Snyder's testimony favoring removal under those conditions as he gave it before the House committee.

But Mr. Eric Johnston, then and until Thursday of this week president of the Chamber of Commerce of the United States, has been a prominent and active member of the Board whose action Mr. Snyder reported to yesterday's papers.

On Wednesday of this week the press reported Mr. Johnston as in Atlantic City fresh from a series of conferences in Washington for the annual meeting of the Chamber of Commerce of the United States and as giving an interview advocating generally the extension of OPA, as did the resolution under reference. After reading his statement, and largely with a view to reassuring myself on the point that current expressions with respect to continuance of OPA are not necessarily at all in opposition to the thing I am here advocating, I sent Mr. Johnston (I should say he is a very good friend of mine of many years' standing, and this is not an antagonistic situation) the following telegram [reading]:

APRIL 30, 1946.

HON. ERIC JOHNSTON,
President, United States Chamber of Commerce,
Atlantic City, N. J.

In line with our conversation of some weeks ago in which you stated agreement with the position that controls should be removed from any industry whenever supply comes into balance with demand I am wondering if you will not agree that an amendment of the act requiring OPA to decontrol an industry when supply is in balance with demand would greatly relieve against the bad conditions you picture as possibly resulting from dropping all controls at any one time. Such an amendment of the act is wholly independent of the question of the date on which all controls should be finally removed but such amendment seems to me to be entirely necessary because of the determination of somebody in OPA to continue controls in such areas when all of the reasons that even OPA until recently has put forward as justifying control have disappeared. Chester Bowles has said repeatedly with respect to industries in which supply comes into balance with demand that 'As that occurs I assure you that your Government will move promptly to eliminate the last vestige of price restrictions in those industries.' But you know the determination with which OPA is resisting an amendment which would require just that.

My own view shared by a great many other people is that a very skillfully designed play to advance the theory of a completely controlled economy in this country is being made before the Senate committee and the Senate around this simple point on which there is less cause for disagreement among businessmen, the Congress, and the people than there is in any other controversial point. I think the chamber would be serving well all of the people as well as the business of the country and would be aiding the Congress if irrespective of what it does on the question of when OPA shall be finally terminated it would endorse the House's position under which it amended the bill to require decontrol in any industry when supply comes into balance with demand. I have seen no reason assigned against doing this which does not in my opinion bear unmistakably the fingerprints of the advocates of a planned economy and of the kind of control of business and people in this country that I can't believe has your support or that of any substantial part of the membership of the chamber.

Respectfully submitted with a personal good wish.

S. CLAY WILLIAMS.

In response to my wire, I have just had from Mr. Johnston the following reply [reading]:

S. CLAY WILLIAMS,
R. J. Reynolds Tobacco Co.:

Your position is one that I have always advocated. We are in complete agreement. In industry when supply equals demand controls should immediately be removed. Such an amendment should be added to pending OPA legislation. I will be happy to support such an amendment. You may make this public if you wish.

ERIC JOHNSTON.

The point, gentlemen, in calling attention to that exchange of telegrams is to clinch, if I may, and I think it does clinch so far as that incident in that group is concerned, the idea I am putting forth here, that all this heavy propaganda poured in here is not even directed at the point I am talking about. It says: "Renew OPA."

Well, the thing has so many forms of life in its existence in so many areas of industrial life in America that the renewal point, as involved in a simple suggestion to a Congressman or a Senator to the effect that OPA be extended, that I say that the suggestion, in propaganda or anywhere else is an unintelligible suggestion.

I don't know what anybody means when he says "extend the life of OPA." I know easily a thousand ways in which I could extend it and possibly improve it.

Senator MITCHELL. Your testimony, then, favors the continuation of the Price Control Act which will control prices in those areas where supply is short?

Mr. WILLIAMS. My testimony is in the obverse position from that which your question assumes, Senator Mitchell, if I may say it that way.

Senator MITCHELL. Which infers that you see the need for price control?

Mr. WILLIAMS. It infers, or rather it says very specifically and directly, that I am limiting my testimony to this question of decontrol when supply comes into balance with demand. With respect to the question of whether in other areas there are other reasons for decontrol, I am not as familiar in those areas as in the area in which I speak.

Senator MITCHELL. That certainly would leave me with no conclusion but to assume you were in favor of price control in any area where the supply is short and therefore we would have to continue some Government organization such as OPA to handle that problem.

Mr. WILLIAMS. I would have to qualify the answer to that question quite extensively by saying—and I admit in saying it I am speaking with less factual knowledge behind me than I have behind me when I speak in the terms of problems affecting my own company—that in spite of the fact that supply may not be in balance with demand in certain industries there are, considering certain OPA policies of administration or maladministration, still reasons for removing control.

I cannot answer, Senator, categorically, the question you put to me because I haven't all the knowledge that would be required for an answer to mean anything, but I do recognize the fact that out of what I think I know generally it is not true that there are not reasons for removing OPA control in some areas, at least, where supply is not in balance with demand. Have I expressed myself—

Senator MITCHELL. You have expressed yourself.

Mr. WILLIAMS. Intelligently, I hope.

Senator MITCHELL. Well, my conclusion is that you favor OPA and price control in certain areas. That is the only conclusion I can get, and in view of that I am wondering, in view of your characterization of all Government officials as bureaucrats, I am wondering since you do depend upon them to do something in the economy, I am wondering what your definition of a bureaucrat is.

Mr. WILLIAMS. I have to ask to be permitted to amend the Senator's imputations. I did not intend to, and do not think I did, characterize all Government officials as bureaucrats. I would like it very definitely understood, gentlemen, that I want the force, if any it has, of every word I have said to be directed to this particular group of bureaucrats down here in OPA who are doing some of these things I have been pointing to here; but I do not suggest that by the use of the word "bureaucrats" that I am talking about every Government official. I used to be a bureaucrat myself. I was Chairman of NRA at one time, following Hugh Johnson.

Senator CAPEHART. Mr. Williams, would you care to state what percentage the cigarette industry's production is at the moment over, say, 1941, or 1936? Are you producing 200 percent more cigarettes than you did in 1940, 1939, or 1941?

Mr. WILLIAMS. The United States Government official figures issued by the Bureau of Internal Revenue in the annual report of the Commissioner of Internal Revenue show that in 1935 the production of cigarettes in this country totaled 139,000,000,000 cigarettes. In 1940 from the same source the production figures appear as 189,000,000,000 cigarettes. In 1944 the figure on production appeared as 323,000,000,000 cigarettes.

I would like to ask the privilege, Senator Caphart, to check those three figures.

Senator CAPEHART. You don't have 1945?

Mr. WILLIAMS. I don't have 1945 in that same official form, but the estimate on 1945 that I have seen and to which I give more credit than to any other estimate I have seen, places that production at three-hundred-and-thirty-odd billion cigarettes.

Senator CAPEHART. Then over 1940 there would be almost 200 percent which certainly takes care of the increase in population.

Mr. WILLIAMS. And a lot of other things.

Senator CAPEHART. And there is certainly no pent-up demand for cigarettes. There is for automobiles, but not cigarettes because the smoking public is getting all the cigarettes it wants. So that there would be no necessity for keeping a ceiling on tobacco on account of pent-up demand?

Mr. WILLIAMS. There is no such thing as pent-up demand at the moment. The big brands of cigarettes move rapidly through the channels of distribution. Cigarettes of those brands are consumed in an average of 30 days or less from the time they come off the machine.

Senator CAPEHART. The only thing we would have to consider is the increase in population?

Mr. WILLIAMS. You would have to leave us some room for expanding the industry through the use of advertising, and I should like to have the privilege of one minute right on that.

Senator MITCHELL. Before you leave that, I would like to say that represents an almost tenfold increase in production. Apparently OPA controls during the war didn't hinder production.

Senator CAPEHART. Well, Mr. Chairman, there is the fact that the Government themselves were in the war purchases. In fact, they were purchasing the majority of the—

Senator MITCHELL. I would like to have Mr. Williams' comment on that. I did not direct my question to the Senator.

Mr. WILLIAMS. I make no contention that the production of cigarettes during the war period was diminished by any direct actions of OPA; and mark you, I say OPA instead of Government.

Now, if you will let me go to another territory I should like to tell you what the ceiling on cigarette production in this country during the war was, and tell you about that from which it derived.

Following the low prices of cigarettes and other kinds of tobacco in the early 1930's, the Government went on a restrictive productive basis for tobaccos. Unfortunately from the point of view of the tobacco manufacturing industry—which is unlike the cotton industry, unlike hogs and corn—not so much unlike cattle because you have to keep them a while—we have to keep our inventories a long time.

When the Government decides how much tobacco the farmers can grow this year they have to decide it not on the basis of how many pounds of cigarette and other tobaccos are going to be used this year, but they have to go way down yonder into next year and the next year and estimate what is going to be needed then.

Now, before the war the people who made the estimates, and I don't speak critically, but rather sympathetically, as to how much tobacco we were going to need in 1942, 1943, 1944, were still believing apparently from what they did that we were not going to get into this war. When we did get into the war, we found that these stocks of tobacco they had estimated as sufficient for growth in 1941, 1942, 1943 were, under war conditions, utterly insufficient. So that the bottleneck of cigarette production in this country during the war period was found in that limitation of available stocks of leaf matured sufficiently for manufacture, which cut off the possibility that anything OPA might have done might have then restricted that manufacture.

There was a bottleneck that existed before OPA.

Senator MITCHELL. That was a bottleneck which came about because of governmental action to protect the price to the farmer; is that true?

Mr. WILLIAMS. That is correct. The prices beginning in 1933, when I for the industry signed with Secretary Wallace the only agreement in agricultural products that ever did work—greatly to my satisfaction—the tobacco situation worked out through AAA enormously satisfactorily from the early 1930's up to now. But it is true that out of that situation, without fault of anyone, the industry in the manufacturing end found itself in a bottleneck through shortage of leaf tobacco.

That accounts to quite some extent for the thing I was talking about a while ago, under which these lower grades of tobacco were pushed up to higher prices.

A great many manufacturers of new brands of cigarettes came into the market, where there was a shortage in the early days of the war, and continuing later in the war, and bought a great many of those tobaccos.

Judge Moore reminds me, and I thank him, that the restrictions the Government felt it necessary to put on the use of acreage for things other than food made some contribution to the same thing you are talking about. They would not let people grow tobacco because it preempted the possibility of growing food.

To go back to Senator Capchart's question, and drop a footnote, in answer to his question, on this thing of what place advertising has in this industry, I say categorically there is no industry in this country which has been as dependent upon, and which has used advertising any more successfully, than the cigarette industry. You can have enough of the tobacco suitable for chewing tobacco and for snuff and the farmer won't get anything worth while; the manufacturer won't get anything worth while; the wholesaler won't get anything worth while, and the Government won't get anything worth while. You can grow smoking tobacco and the farmer will just about break even. Often he will be losing money on this chewing and snuff tobacco. He will be just about breaking even on smoking tobacco, but nobody begins to make any money, not even the Government, because Government gets 18 cents a pound on that kind of thing, and they get \$1.15 or \$1.20 a pound on the tobacco that goes into these cigarettes. Nobody makes any money down there.

Where they all make their money is in the cigarette tobaccos. Here is an astounding pair of figures. In 1910 only 38,000,000 pounds of tobacco grown in this country (and some of that—a little bit—is included in there that was Turkish, imported from abroad)—was used in cigarettes—which means that there was only 38,000,000 pounds of tobacco grown in this country that was in the high-priced category. The rest of it was going into these other lower-priced categories, but nobody—not even the farmer—got much from them.

Through the use of advertising, very largely—and I am trying to underscore, Mr. Chairman, the first point I made here: That OPA regulations in this industry have forced advertising or the use of it out of this industry by the millions of dollars' worth—through the use of advertising this industry has shifted people to the use of cigarettes to the extent that in 1943 instead of the farmer being able to sell 38,000,000 pounds of his tobacco for use in cigarettes, he sold 860,000,000 pounds of tobacco in this country for use in cigarettes—the high-bracket return to the farmer, without regard to the manufacturer and the distributor and the shipper, and the retailer, and the Government. I am trying to say that when OPA fixes a rule that drives advertising out of this industry it is working destructively to a degree indicating that, in their own interest, the farmer and everybody else concerned ought to rally around this table and point out the extent to which that destruction can reach.

Returning to my statement, I say in conclusion, that if, instead of the blasts and belches which we have from day to day from the bulwarks of the Bureau, we might have put to the American people—not in fuzzy, unintelligible form but in clear language—the question of whether or not they are willing to pay a fair price for the goods and services they want and are willing to trust themselves, without help of a Government bureau, to insure against any but a fair price in a competitive market with goods and services in ample supply, I undertake to say that the answer would be an unequivocal and resounding "Yes!"

I think that the American people are deeply anxious to move forward as promptly as possible to where they can do, and have enjoyment from doing, what Amon Carter had in mind when he concluded a recent powerful editorial in his Fort Worth Star-Telegram on this and kindred subjects with this suggestion: "Let's just be real Americans again."

I thank you, Mr. Chairman. I am ready to answer any questions.

Senator TAYLOR. Are there any questions of Mr. Williams?

(There was no response.)

Senator TAYLOR. Thank you, Mr. Williams, for your testimony.

The remaining witnesses will have an opportunity to be heard Monday afternoon. We had intended to wind up these hearings Monday morning, but because we have been unable to get all the witnesses in this afternoon, those that desire to be heard at that time, we will have a session Monday afternoon to hear the rest of them. We will recess now until Monday morning at ten o'clock at which time we are going to hear from Mr. Eccles, Chairman of the Federal Reserve Board. Then Monday afternoon we will have the extra session, or special session.

(Whereupon, at 6 p. m., an adjournment was taken until Monday, May 6, 1946, at 10 a. m.)

1946 EXTENSION OF THE EMERGENCY PRICE CONTROL AND STABILIZATION ACTS OF 1942, AS AMENDED

MONDAY, MAY 6, 1946

UNITED STATES SENATE,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C.

The committee met at 10 a. m., pursuant to adjournment on Friday, May 3, 1946, in room 301, Senate Office Building, Senator Robert F. Wagner (chairman) presiding.

Present: Senators Wagner (chairman), Radcliffe, Downey, Taylor, Fulbright, Mitchell, Carville, Tobey, Taft, Capper, Buck, Millikin, Hickenlooper, and Capehart.

The CHAIRMAN. The committee will come to order.

Mr. John M. Costello of the Los Angeles Chamber of Commerce desires to submit a statement for the record.

STATEMENT OF JOHN M. COSTELLO, GENERAL COUNSEL, LOS ANGELES CHAMBER OF COMMERCE, LOS ANGELES, CALIF.

Mr. COSTELLO. The directors of the Los Angeles Chamber of Commerce earnestly recommend that the Emergency Price Control Act not be extended beyond June 30 of this year. They believe that such termination of price control is necessary both to combat inflation and to promote economic, political, and moral reconversion from war to peace.

A. Price control promotes inflation: Administration of Government-determined price ceilings and subsidies is not preventing inflation in any sense of the term. Instead, it is promoting inflation in several ways.

First, it is restricting production and intensifying shortages of goods.

Secondly, it is promoting wasteful consumption and use of commodities and services.

Thirdly, it is creating political conditions favorable to continuance of inflationary policies by deceiving the public concerning the real nature, extent, and consequences of inflation.

1. Restriction of production: Administration of price control is restricting output by entangling producers in a maze of red tape. Time and talents of management which should be devoted to problems of production are increasingly diverted to the problems of trying to conform to an endless stream of obscure, conflicting, and complicated price-control decrees and regulations.

Strict conformity to the letter and spirit of the law is generally impossible. Yet the arbitrary and dictatorial power of the administrators makes highly dangerous any deviation from the letter of the

law as it is laid down and interpreted by the thousands of price-control officials. Consequently, business management operates in an atmosphere of uncertainty, conflict, and litigation which makes efficient operation impossible.

Such conditions are not the fault of the administrators. They cannot be remedied by amendments of the law. They are the unavoidable results of trying to use Government price fixing in place of sound fiscal and financial policy to combat inflation. Administrators must have arbitrary and dictatorial powers if they are to fix prices and enforce their decisions. Yet, no matter how complete their authority and how numerous their staffs, the price-control officials cannot make and enforce their price decisions quickly and fairly enough to avoid costly sabotage of production.

2. Promotion of waste: Insofar as price ceilings are effective in keeping prices below those which would be set in free markets, they create shortages, speculation, inequity, and waste.

Prices tend to rise when buyers want more goods at current prices than are available. When Government prevents the rise in the face of an excess of demand over supply, it aggravates and prolongs the shortage. Not only does the lower price discourage production, it also encourages continued buying as would-be purchasers try to get the goods faster than they are being brought to market.

The results of this continued shortage are shoppers' lines, or queues, waiting lists, under-the-counter practices, linked purchases, or tie-ins, increased shopping around, duplicate orders, multiplication of outlets and go-betweens, favoritism, and hoarding.

All of these practices mean waste—waste of time and labor for buyers; waste of time and labor for producers and sellers; waste of commodities which are hoarded; waste of goods which are distributed on a basis of favoritism or first-come-first-served, and waste of good will destroyed by practices repugnant to every citizen.

3. Concealing symptoms of inflation: Supporters of continued price control point to official price indexes as evidence of success in preventing inflation. By emphasizing the comparatively small rise in these indexes since 1942, they lead many people to believe that inflation and the evils of inflation have been avoided in the past and can be avoided in the future by price control.

When goods are unavailable, however, or are available only at increased time and labor cost to the buyer, the official prices and price indexes are worthless as measures of currency depreciation. Bonuses and bribes to sellers, linked purchases and tie-ins, inferior quality of goods and services, up-grading, and illegal price increases are rampant throughout the national economy. They constitute a form of price inflation all the more vicious because it is under cover or illegal.

Government subsidies should also be considered as a form of hidden price increases. Such expenditures add to the cost of living either as taxes or as causes of currency expansion. They promote currency depreciation and inflation both by aggravating shortages of subsidized items and by adding to Government deficits.

By ignoring or belittling these forms of price inflation, advocates of price control help to conceal the fact of inflation and the urgent necessity of adopting effective measures for preventing it. They foster the impression that Government extravagance and deficits are of little consequence as long as Government maintains price controls.

In this way opposition to new proposals for Government lending and spending is disarmed and the Treasury doors are held open for new raids by political pressure groups and their representatives.

B. Price control promotes disunity: The assumption underlying this administration of price controls is that Government control of trade is necessary to prevent exploitation of buyers by sellers. In the name of law enforcement, a continuous campaign of propaganda promotes the idea that this Government agency alone protects a helpless public against unfair and exorbitant prices which would otherwise be exacted by the ruthlessness and greed of private enterprise.

This propaganda is false and destructive in regard to both the supposed gullibility or lack of prudence ascribed to consumers and the shortsighted greed attributed to producers.

Buyers have shown that they can and will postpone their purchases when there is a prospect that increasing supplies are to be forthcoming.

Experience also shows that the price policies of most producers and distributors take into account not merely local and temporary market conditions, but the rate at which goods can be marketed over a considerable period of time.

The belief, therefore, that a violent rise in prices would follow the removal of price controls is entirely unwarranted. It fails to take into account the extent to which inflationary forces have already had their effect in concealed price increases and the extent to which prices are governed by the good sense and prudence of buyers and sellers rather than Government fiat.

Meanwhile, the cultivation of distrust in the ability of the American people to manage their own affairs by private, voluntary agreement is a disservice on the part of the price-control agencies. It fosters sentiment in favor of a continued policy of price manipulation by Government to promote the interests of one class at the expense of another—tenants as against property owners, consumers and others at the expense of distributors, wageearners at the expense of investors, and so on.

Thus the fiat of Government officials replaces the system of free exchange in which each individual selects that use which seems to him best for his services, his property, and his money.

Such price manipulation by government means setting class against class and setting up new Government agencies and controls to deal with shortages and surpluses created by Government itself. It is a primary cause of growing stateism, with all of the economic and moral degeneration which accompanies that political disease.

Rent controls as a cause of the housing problem: The way Government price control causes economic difficulties which in turn create an apparent excuse for further Government intervention is well illustrated by the current housing shortage. Imposition of rent ceilings for housing in the face of rising money incomes has had the same effect as a reduction of rents in a period of stable incomes.

This relative reduction in the cost of housing has given rise to an increased demand for housing, especially for housing above the lowest grade. Millions of families have been tending to "spread out" and to move to more commodious quarters as vacancies occur.

The result is improved housing conditions for some, but also less housing and more overcrowding for the newcomers and for the less

fortunate, such as, for example, returning servicemen and their families.

In short, it means a less efficient use of the Nation's housing supply and increasing hardship for many individuals and families.

This artificial increase in demand for housing resulting from rent control is also causing a rise in real-estate prices relatively to rentals and to building costs, because purchase is the most effective method of getting living quarters commensurate with the increased incomes and credit resources of the average family.

This rise is induced by rent control and creates an unwholesome and dangerous speculative condition in the real-estate market. At the same time, these unfortunate results of rent control are being used as an excuse for a vast expansion of Government control over the building industry and related fields. These new restrictions, in turn, will further discourage production and enterprise necessary for national recovery and prosperity.

C. Profit controls restrict capital growth: Price control becomes especially restrictive when it involves determination and control of profits or prospects for profits.

Such profit control appears likely to remain a part of price control in general, both for political and administrative reasons.

The principal criterion for adjudging any price "fair" or "unfair" seems to be whether or not it is considered likely to yield an "excessive" profit to producers. But when are profits "excessive"?

Profits represent not only incentive to efficiency and increased output but also a chief source of capital and credit required for expansion of production.

Restriction of profit levels, therefore, correspondingly restricts opportunity, as well as incentive, for producers to expand output of those commodities which are in greatest demand.

In fact, the greater the prospect seems for a large demand and a high volume of business in any line of trade or industry, the greater is the tendency for OPA to reduce profit margins for that line by price limitations, price reductions, or formulas for "cost absorption."

No form of price control policy could be more restrictive, because the amount of equipment which a producer can install, the amount of materials he can buy, and the number of workers he can hire all depend on his prospects for earnings and his consequent credit rating.

Selection of any period immediately preceding the war, such as 1936-39, as the base for "fair" profits is clearly unwarranted, in view of the depression character of those years.

Furthermore, the use of "profits before taxes" as the criterion makes no allowance for the heavy increases in tax rates since 1939 or for the fall in purchasing power of money.

These conditions make a dollar of profits worth scarcely one-half as much as before the war.

And profit levels in the prewar years were at depression levels.

Use of any other base period for determining "fair" profits, however, would not obviate the fundamental difficulty that any degree or form of profit limitation discourages efficiency and checks production.

The interest of consumers is not best served by the low-profit producer or by conditions of low profits in business and industry generally.

What is needed, instead, is rapid expansion of output by low-cost producers so that supplies of goods may be increased and prices thereby reduced. But this expansion can be financed and promoted only under conditions which permit these efficient producers to reap the profits resulting from their superior efficiency and enterprise.

In this connection it should also be noted that wartime earnings provide no indication as to prospects of profits or need for profits in the future.

Every business outlay for labor, materials, fuel, equipment, or other expense of production represents an investment.

Incentive for such investment, as well as incentive for labor, depends on prospects for future earnings, not on past earnings.

Again, it cannot be too strongly emphasized that returns on investments are the chief source from which must come the capital necessary for reduction of costs and prices.

It is true that in free markets shortages and scarcity result in rising prices.

But high prices and rates of profits constitute the one effective remedy for shortages and scarcity. And the economic aim of sound policy is the mitigation or elimination of scarcity, not preservation of any particular level of prices.

D. Urge termination of price control: Termination of the price control administration, in the opinion of the board of directors of the Los Angeles Chamber of Commerce, therefore, is necessary in order to increase production, end shortages, combat currency and credit inflation, stop the decline in purchasing power of the American dollar, restore confidence in the Nation's financial stability, stop antibusiness propaganda, and restore and preserve the system of individual liberty and free, private enterprise.

For these reasons we urge that the Emergency Price Control Act be permitted to expire on June 30, 1946.

The CHAIRMAN. Mr. John D. Small, Administrator, Civilian Production. We would like to hear from you. You know what our problem is.

Mr. SMALL. Yes, sir.

Senator CAPEHART. Mr. Chairman, before he proceeds I would like to make a complaint. I have had telephone calls from women who claimed that they have talked with members of the committee, meaning the staff, in which the staff had told them I was opposed to the OPA bill and for them to use pressure on Senator Capehart. They likewise gave the names of other Senators who were supposedly opposed to the OPA and urged them to put the pressure on them to straighten them out.

Now, I want to publicly lodge my complaint against members of the Banking and Currency Committee staff saying to anyone that any Senator prior to the vote is opposed to OPA, and suggesting that they use pressure.

The CHAIRMAN. I will make inquiry about that at once. They certainly have no right to do any such thing.

Senator CAPEHART. I trust you will be able to stop it, because it is very unfair and unwarranted and certainly is against all the rules and regulations of the Senate.

The CHAIRMAN. I didn't know any such activities took place anywhere.

Senator CAPEHART. I have had half a dozen telephone calls.

The CHAIRMAN. Very well. I will look into it at once. It certainly will have to be stopped if it exists.

Senator CAPEHART. I don't know how anyone knows how I am going to vote.

The CHAIRMAN. You are going to vote for it, are you not?

Senator CAPEHART. I said I didn't know how you or anyone else was going to vote.

The CHAIRMAN. Well, I don't. I wish I did.

Mr. Small.

STATEMENT OF JOHN D. SMALL, ADMINISTRATOR, CIVILIAN PRODUCTION ADMINISTRATION, WASHINGTON, D. C.

Mr. SMALL. Mr. Chairman and members of the committee, our Nation stands today at an extremely critical juncture. We have within our own hands all of the elements that can insure a continuous and steadily increasing prosperity if we, as a nation, have the wits and the will to handle our economic affairs sensibly and reasonably for the next 6 or 8 months.

I think the next few months ahead are the most critical in the history of our country. We are on a hump. If we can get over it, we have industry like a track team straining at the tape, ready to go. They will go, and we will have a flood of goods such as you have never known and the greatest prosperity if they can get going, if we can get over this hump during the next 4, 6, or 8 months which are so vital to our economy and to our prosperity.

It seems to me that price control is one subject where we find a maximum of confusion in the minds of the public and also of violent differences of opinion. Rarely, during recent years has there been on any subject so much sound and fury, and so much controversy and heat and so much insistence upon extreme positions. Things have certainly changed since VJ-day.

During the war our people were not only patriotic, but also by and large in their dealings with each other, were reasonable, flexible, and tolerant. Nowadays people are impatient, less reasonable, certainly far less tolerant, and selfishness has come out into the open to a very considerable degree.

I am glad to have the opportunity to discuss with you today the question of the extension of price control—which in my opinion is one of the most immediately important problems that confront us. I certainly cannot reduce the problem to simplicity, nor indicate to you solutions that are so clear and so obvious as to be beyond debate. I can, however, from the vantage point of the production agency, the Civilian Production Administration, give you facts on which good judgment can be based.

The economic situation in the country at the present time is explosive. Enormous demands far exceeding supplies have created great pressures which, if unchecked, would lead, I believe, to skyrocketing prices. I believe, also, that most thinking people, both producers and consumers, are convinced that those pressures must be checked.

Both the supporters and the opponents of continued price control seem to agree that production is the best insurance against skyrocketing prices and wild inflation. I certainly agree. But also I believe

that if we are to get maximum production promptly and maintain it, we must not only have assurance of stability of prices, but also of stability of costs, including wages, and stability of working effort, at least for the critical 6 or 8 months next ahead.

With your permission, therefore, I would like to discuss briefly some of the individual factors that have a bearing on the problem of the extension of price control.

1. The threat of inflation: Is there a real and serious threat of run-away inflation at this time—or, is inflation just a “bogeyman” blown up, far beyond its real importance, by the proponents of the extension of the Price Control Act?

We have a limited measure of inflation with us already, but through price control it is being held within bounds. I, for one, am convinced that there is a very real danger of rampant and uncontrollable inflation unless we can continue to hold prices within bounds during the next few months ahead. Here are the reasons why.

Inflationary conditions today are comparable to, but far more powerful than those existing at the end of World War I.

Our experiences after World War I were disastrous. As we look back, the causes and effects of the violent inflation and subsequent deflation that followed the last war seem very clear.

To lift price control now would, in my opinion, inevitably recreate the same cycle of inflation and deflation that we had in 1919–40—disaster and ruin for thousands upon thousands of businesses—the majority of them small firms.

Senator MILLIKIN. Mr. Chairman, may I ask this: Mr. Small, during the course of your paper will you discuss whether we actually have price control where there are real pressures against the line?

Mr. SMALL. Yes, sir.

In my opinion, the most important inflationary factors present in our economy which require that we control prices are the following:

1. The enormous volume of liquid assets currently held by business units and by the consuming public, a part of which is the enormous volume of money in circulation; and the volume is now greater than the total public debt at its peak in 1919.

Senator BUCK. What would be other liquid assets in that classification?

Mr. SMALL. Credit, bonds—

Senator MILLIKIN. Savings?

Mr. SMALL. I am merely saying here that the actual cash money, greenbacks in circulation, is greater than our public debt, regardless of all the other things.

Senator BUCK. How much greater is our money in circulation now than it was at the beginning of the war?

Mr. SMALL. I can get that figure for you.

Senator CAPEHART. Well, it is about 8 billion against 26 billion.

Senator MILLIKIN. What was that figure?

Senator CAPEHART. Eight billion against twenty-six billion.

Mr. SMALL. That is approximately correct.

The CHAIRMAN. That is approximately correct, irrespective of bonds? We are not speaking about bonds?

Senator CAPEHART. No. We are talking about cash money.

The CHAIRMAN. Currency in circulation?

Mr. SMALL. 2. The increasing wage scales which means increasing buying power in the public's hands.

3. The large volume of deferred demand for housing, non-Federal public works, consumers' durable goods, clothing, and other items and the related demand for industrial plant and equipment.

4. The heavy foreign demand for American products for relief and rehabilitation and for commerce. The latter would be increased by proposed foreign loans.

5. Industry's requirements for replenishment of inventories to get into civilian production; the urgent need to fill up with goods all distributing channels—the pipe lines from factory to consumers.

Now, No. 6 has changed since this was written so let's cross No. 6 out.

Senator BUCK. I don't think it should be crossed out. Why should it be crossed out?

Mr. SMALL. Well, the last 3 months' income has been greater than outgo.

Senator BUCK. Are you sure that is right, or are we living on surplus cash in the Treasury, or excess cash? Do you think today our income is greater than our outgo?

Mr. SMALL. I think at the minute it is, but there is no question about the fundamental that the budgetary deficit of the Federal Government is an inflationary factor if it continues.

Senator BUCK. I think your position would be stronger if you let that stay in.

Mr. SMALL. All right. Let's let it stay in.

6. The continuing budgetary deficit of the Federal Government. All of these six factors create demands, but on the supply side we have:

7. A volume of production now far below demands and even under the best of circumstances unable to catch up with demands for many months.

Senator MILLIKIN. Mr. Small, you may come to it later, and if you are, I don't want to go into it. We have had considerable testimony that in a number of very important items production—in petroleum, for instance—has gone up considerably over the prewar figure and is in excess of our needs, and there is a possibility it exists in a number of commodities.

Mr. SMALL. I go into that in some detail, on production.

Senator MILLIKIN. All right.

Mr. SMALL. All of the above factors were present after World War I and help to explain the speculative boom of 1919–20, but owing to the greater length, and more productive effort required in World War II, they are now potentially much more explosive than in 1919–20.

It seems to me that in the face of these inflationary factors, we must for the immediate future continue to control prices in those areas where demand greatly exceeds current supply.

But we must at the same time recognize that price control does not eliminate inflationary pressures; it merely holds them in check.

Senator CAPEHART. May I ask a question?

Mr. SMALL. Yes.

Senator CAPEHART. Is it possible, Mr. Small, for your division, or some other division, to arrive at exactly those items in industry that come within this category and those where price control could immediately be eliminated? To me that is the heart of the whole matter. We must continue price control of those things that are in short

demand. I don't think anybody denies that; at least I never have, and I don't think anybody has; but we would like to eliminate those from price control where production is equal to demand.

Now, is it a complex matter, or quite a simple matter for you, or some other agency, to give us the items that should be controlled and those that should not be controlled? Then it would be quite simple to give us a formula for decontrolling those at the moment that should be decontrolled; those that should be decontrolled in 6 months, a year, and year and a half, and 2 years from now. To me that is the heart of the whole problem right there.

Mr. SMALL. If you don't mind, I would like to come back to that because I hit at it later on in this discussion. I can assure you that the question is not simple.

Senator CAPEHART. Of course, price control is never simple. It is a complex matter. I agree to that, but the whole debate and argument to this committee has been over that one thing. Are there items we can immediately eliminate price control from and if so, what are they? On those items we cannot eliminate price control at the moment, can we set up a formula that will automatically decontrol at some future date? That is two factors.

The third factor is speeding up, better administration and better control, making adjustments on those items at the moment where it would seem from the evidence that they do need some relief in order to secure production.

Now, those are the three things I am vitally interested in. That is all I want, is to get a decontrol formula. I want those items that there is no necessity for price control to be eliminated, and those where there is a necessity for price control, I want it continued, but I would like to see some formula that would tell the businessman and the public and the world that when certain things happen they will automatically be decontrolled. That is my position, and I believe it should be the position of those that are both for and against continuing OPA. I believe if we concentrated on those three things we can report out a very, very fine bill that would be practical and sensible and workable.

Mr. SMALL. Well, in the War Production Board and in Civilian Production Administration we have had to put out a lot of regulations a lot of laws, if you like, on these short items—regulations of one kind and another. We have tried to write into those regulations good judgment. We have always found it impossible. We cannot write into a regulation the exercise of good judgment or of good administration.

So far as your simple formula you are speaking of, I am afraid there is no such simple formula. For example, in a good many things production is back to 1941 levels. In some of those things the supply is now quite adequate at that level of 1941. In others it is completely inadequate even though it is at the 1941 level. You have to look at each of these products on its merits. To say when it hits the 1941 level that is the measure and you can decontrol immediately—for instance, on men's suits, we are making many, many more men's suits today than we ever made in our history, but the demand is twice or more what we are making.

Senator TAFT. How do you know that, Mr. Small? I have talked to the manufacturers of suits who say they cannot get linings for them.

Mr. SMALL. It is true that on linings we ran into difficulty, but the problem of the rayon linings has been eased. The rayon industry voluntarily came up with additional yardage to go into men's suits. I don't believe the lining problem is much of a problem today.

Senator TAFT. But there aren't any men's suits. Where do you get your figures that we are producing at the 1941 level?

Mr. SMALL. We are producing suits at the present time at the rate of about 20 or 21 million.

Senator TAFT. Where do you get your figures? Do you get reports of those weekly, or how do you get them?

Mr. SMALL. We get a report on production which we are constantly making checks on. I have figures with me which I will go into with you if you like, as to the spot checks we make; what the production is, and what the shipments are. We are up to about 21,000,000. We can go to 25,000,000 on the capacity and the workers we have. We are trying to get more capacity and more workers.

Senator TAFT. That seems to me to be contrary to everything that everyone tells you, everything that everyone says.

Mr. SMALL. Well, that is what our figures show.

Senator TAFT. Yes, but there are no suits in the stores.

Mr. SMALL. They are being gobbled up as fast as they hit the stores.

Senator TAFT. You cannot buy a suit that you want to buy.

Mr. SMALL. That is right. You have this terrific demand. Our prewar peak, if I recall the figure correctly, was about 20,000,000 or 21,000,000. That is at the rate of one suit every 3 years for a man. I would have expected it to average around about one suit per year, but it is one suit for 3 years.

But people have more money now and they want to buy suits. I am not talking about the returning veteran. I am talking about the civilian and the demand is there for far more suits than we have ever made in this country.

The CHAIRMAN. What would you regard as the supply now?

Mr. SMALL. We are making about 21,000,000 at the present time. I think we can go to 25.

The CHAIRMAN. But the demand would be what? What would you guess?

Mr. SMALL. I guess the demand at 40,000,000.

Senator MITCHELL. That goes back to your pipe-line illustration?

Mr. SMALL. Yes.

Senator MITCHELL. Nothing in the pipe lines, practically speaking.

Mr. SMALL. Nothing in the pipe lines. In addition to that, something that is frequently forgotten, or lost sight of, we talk in terms of men's suits only, but there has been an enormous increase in separate pants and jackets in certain areas of the country.

Senator HICKENLOOPER. Mr. Small, here is the thing that is very difficult for me to understand. I understood you to say that prewar production was about 21,000,000.

Mr. SMALL. The peak.

Senator HICKENLOOPER. Per year?

Mr. SMALL. The best we ever did.

Senator HICKENLOOPER. And we are now producing some 24,000,000?

Mr. SMALL. No, we are just about at the peak of prewar.

Senator HICKENLOOPER. Well, perhaps 21 or 22 million. The demand is 40,000,000?

Mr. SMALL. That is a guess.

Senator HICKENLOOPER. Here is the thing that is difficult for me to understand about this fabulous and uncertain nature of price control which seems to be in the air. When will we ever catch up with that demand if we are only producing today 21,000,000 and our total maximum capacity is around 25,000,000 suits, when will we ever catch up with the surplus demand that is alleged to be in existence? We were supplying 21,000,000 suits for the normal prewar demand. If we get up to the total maximum production in this country, according to present employment and manufacturers' facilities, we will only get up to about 24,000,000 or 25,000,000. That will be an excess of 3,000,000 suits over the prewar demand. It would take almost 10 years to catch up with that 40,000,000 surplus demand. Therefore, price control under your theory could be extended for 5 or 6 or 7 or 8 or 9 or 10 years.

Mr. SMALL. I certainly don't agree with extending price control for any such period of time.

Senator HICKENLOOPER. I am not asking you that. I am not saying that you do, but the theory now seems to be that when supply fully equals demand, then we will decontrol. The only way you can meet that excess demand is out of this surplus over and above the normal current peacetime needs, which was 21,000,000 suits. You can only catch up with this excess demand of 20,000,000 suits with about 3,000,000 suits a year.

So that will be at least 7 years on those figures.

Mr. SMALL. Let's get it clear. We are making around 21,000,000 right now, plus these separate pants and jackets. We can go up to about 25,000,000, I think, with our present working force. We have got to get some more people into the working force. The plants will support more. We are currently making cloth enough—men's suiting cloth—enough to make about 30,000,000 suits. It is going into other things. It is going into women's gabardine, and what not, but we are going to make more cloth—we are going to have more cloth because the women's stuff is backing up on the shelves in the women's apparel stores, so we will have the material to make more suits. We probably could go up to about 28,000,000 if we could get the workers in.

But the point is—you are absolutely right—we are not going to stop all that backed up demand this year or maybe 2 or 3 or 4 years more, but at this juncture, right here in the month of May or June, this is not the time in my opinion to lift price control on men's suits, because with that enormous demand up she goes. But you don't have to hold onto price control forever just because of men's suits.

If we can get a flood of goods onto the shelves of the country to stop up this buying power, they are going to spend their money on other things, and not concentrate on one thing.

Senator HICKENLOOPER. Yes; but pursuing Senator Capehart's question, is there not some way, some formula that can be announced for the ending of price control in this country? I mean, can we not suggest a goal to work for, instead of leaving it up in the air, or to the somewhat uncertain discretion of the price-control officials?

Mr. SMALL. I repeat again, Senator, the fact we have tried to write good judgment into our regulations and we always fail. If you leave any leeway in there—

Senator CAPEHART. May I ask this question—

Senator HICKENLOOPER. Just a moment. Let me pursue this a little further. On that statement there—you have made it before—I wanted to ask you about it a little later, but I can do it at this moment. The theory of laws such as price control is to defend them and justify them, but it is often lack of judgment and the lack of sound discretion in the enforcement and the writing of the regulations in order to carry them out; is that not true?

Mr. SMALL. That is right.

Senator CAPEHART. Would you be willing to say that men's suits would automatically be decontrolled, when, say, over a period of 54 months, that production was the equivalent of 30,000,000 suits a year?

Mr. SMALL. Oh, I would say we could safely do it at that rate, but that is not the 1941 rate.

Senator CAPEHART. No; I appreciate that. I don't think the calendar has a thing to do with when we should discontinue OPA. I don't think it has a thing to do with it. I am not so certain that 1941 has anything to do with it, or 1939, but I always get back to this thought: that there must be some formula which we could put into the law which would tell the world and tell the manufacturers and tell the public and tell the dealers and tell the Congress and the membership of OPA and CPA that when certain things happen that control goes off of that industry. I believe that it is sound and I believe your testimony, what you said today, more or less concurs in that, and I think the amount of the formula should be quite liberal—should be on the liberal side in favor of continuance, rather than on the opposite side, because to me it gets down to just three things, the things I described a moment ago. There are things that should be eliminated at the moment from control. There are others that may go for 6 months, say, or for 12 months; others for 2 years or 3 years.

Then I think we should do something—just as you have said, it is impossible to administer—you say it is impossible to write a formula, which brings me back to this thought: then we must have an administration of OPA that is flexible in itself and recognizes that fact and one that will enable them to act quickly on these adjustments.

Mr. SMALL. It has to be flexible; it has to be realistic; it has to be fast.

Senator CAPEHART. When a man comes in with figures that show he is losing money, he should get relief in 24 hours. Get the job done. That is my point. I am not interested in the formula. I am interested in avoiding inflation and getting the job done. To me the job is the important thing. The result is what we are looking for.

Mr. SMALL. You have no disagreement with me on that, Senator. I believe in the Government getting out of business just as quickly as it can do it.

On the other hand, I repeat again, we are at a very critical juncture right now and we don't dare take off—

Senator CAPEHART. If you were to take price control off of hundreds of items that there is no necessity for it, it would give OPA and their personnel more time for things that are more important.

Mr. SMALL. That is right. What you are really trying to do is to write into this—or suggesting writing into it—an arithmetical formula or a mathematical formula by which anyone can say this is when we are going to do it.

Senator CAPEHART. If we don't do it, OPA has got to do it, or you have got to do it.

Mr. SMALL. OPA is the one to do it.

Senator CAPEHART. Why can't OPA sit down with this committee and prepare that formula now, rather than OPA doing it in 60 days?

Mr. SMALL. I understand you are going to talk to Mr. Porter today or tomorrow.

Senator CAPEHART. Yes.

Senator TAFT. This question leads me to say that perhaps a formula is necessary on the oil problem. According to all the evidence we can get there is more oil being produced than there is any demand for. Stocks are being cut back here. Under those circumstances should not oil be decontrolled by Mr. Bowles, or if he will not do it, by Congress?

Mr. SMALL. Where the acute demand has been supplied I believe price control should be lifted right then.

Senator TAFT. That would come out at about 120 percent of 1941 production. That is about where we are today, in that particular case. But I cannot see any argument against taking it off. I don't understand why it is not done, and consequently it raises the suspicion that Mr. Bowles does not intend to take anything off of any commodity, regardless of demand and supply. That is what the ordinarily logical thing to do would be, would be to leave it to him, but—with some general statement of principle about demand equaling supply—

Mr. SMALL. Well, you take fuel oil. Your production for 1941-44 was 506,000,000. In the last 12 months it is 719,000,000, well over 1941-44.

Senator TAFT. That is right.

Mr. SMALL. On gasoline it was 637,000,000. Now it is 786,000,000. So you are well over on the basis of your 1941 figures.

Senator DOWNEY. Mr. Chairman, may I ask a question?

The CHAIRMAN. Yes.

Senator DOWNEY. Mr. Small, to what extent will the continued coal strike affect that question of there being a surplus or a shortage of oil?

Mr. SMALL. We are headed head-end toward disaster if we don't stop this coal strike.

Senator CAPEHART. That is why I made the statement a minute ago that the calendar has nothing to do with it. We should write a formula that it is decontrolled when certain things happen not whether it is June 30 or July 14.

Senator TAFT. Well, so far as coal production is concerned, you could not rapidly increase the production of fuel oil to take the place of coal, could you?

Mr. SMALL. No.

Senator TAFT. That would involve making new oil burners, and so forth?

Mr. SMALL. That is true. You could not get to it in time to solve the problem. Another thing is on glass containers. That is one of

the shortest things we have got. We made 59,000,000 gross in 1940-1941. The last 12 months it is 107,000,000 gross.

Senator TAFT. That is the production, and the demand is even greater?

Mr. SMALL. That is right. The demand is away out of sight. You have doubled your production and still haven't come anywhere near meeting your demand.

Senator CAPEHART. Maybe the formula should be 300 percent.

Mr. SMALL. On that particular thing. If you took it item by item, then you could do it, but you cannot do it and say it applies to everything.

Senator CAPEHART. I appreciate that.

Senator MILLIKIN. Mr. Small, I should like to say at the outset I am in entire agreement. You cannot have any mathematical formula, 100 percent, 200 percent, or 500 percent. The point is whether the supply balances the demand as of the date you are looking at the problem; is that not right?

Mr. SMALL. Exactly.

Senator MILLIKIN. You cannot measure that in advance with a mathematical formula; is that not correct?

Mr. SMALL. That is right.

Senator MILLIKIN. If this committee should determine that there is a certain number of important items that are now in a position where supply equals demand, why should we not specifically exempt those from further control?

Mr. SMALL. I certainly have no objection to that. I believe OPA will go along with it. They should go along with it.

Senator MILLIKIN. Does that involve the question of reconrol? Let us say that today OPA or Congress decides that X, Y, and Z items are in balance. Three months from now they get into serious unbalance. Must we also be thinking about a reconrol formula while we are thinking about a decontrol formula?

Mr. SMALL. I think you do, Senator, although I believe that the case for reconrol has got to be so clear and so compelling that there is just no argument; it is beyond debate.

We are up against that every day. Pressure is on us to reinstate control which we have fought off consistently, but nevertheless there are those pressures. It should be a last resort before we reinstitute control, but you would have to do it on some things.

Senator MILLIKIN. If Congress itself should exempt a number of specific articles from further control, it could by legislative process reinstate those articles if they needed control in the future?

Mr. SMALL. It would certainly take some time to get it through.

Senator MILLIKIN. Well, it takes time to get it through OPA.

Senator CAPEHART. Mr. Chairman, why could not Congress write into the law, if any item is decontrolled, if the general price went up 25 percent it would automatically come under control again?

The CHAIRMAN. I know you have suggested that before, and we might ask Mr. Small about the suggestion of Senator Capehart.

Mr. SMALL. Yes; I think that would work. You have the Brown amendment somewhat along that line. It doesn't put it on a mathematical formula, but it says that the President shall say that the acute

demand has been filled—when the acute demand has been filled, go ahead and decontrol, but in reverse, if the need should arise, go ahead and recontrol. That is the principle of the Brown amendment.

The CHAIRMAN. Do you think that is workable?

Mr. SMALL. I think it is. I would personally rather see that power vested in the President, rather than in my own hands—rather than seeing the Secretary of Agriculture and the CPA doing it.

Senator TAFT. Isn't there a factor about this demand-equals-supply formula—I mean just a general formula—is not that a question of at what price?

Mr. SMALL. No, sir; take glass containers for example. Regardless of price, you cannot fill the demand.

Senator TAFT. Take strawberries. At 5 cents a box less the demand for strawberries would be three times what it is now, or a dozen times?

Mr. SMALL. That is right.

Senator TAFT. So, it seems to me in the demand-supply formula you have to put in something about price and what price ought to be. My difficulty is that Mr. Bowles is trying to combine holding the price down artificially to below where demand-supply would put it and then trying to make supply equal demand at that price. That is a thing I just don't think can be done. If you are going to have a formula it seems to me it has got to be a formula at a price that would normally be met by demand-supply. That is why it seems to me that this thing about demand equaling supply will never be fulfilled in many industries.

Mr. SMALL. Well, in a free economy you always have cases where supply falls short of demand.

Senator TAFT. And immediately price goes up to take care of it.

Mr. SMALL. Then you could have certain declines in demand because price did go up.

Senator TAFT. That is right. I don't see how you could ever say that supply equals demand, or demand equals supply, without balancing the thing. So that it seems to me if we write a formula resting on that and leaving it to the Administrator we have to say something about price rather than demand.

Senator CAPEHART. Mr. Small, would you feel that a formula of this nature would be practicable and sensible, a formula where the President could decontrol at any time because in his opinion it was practical to do so, where OPA would automatically have to decontrol when production had reached a certain peak and where the President would be given the right to place controls back on again if prices in a given industry or a given item increased, let us say, 25 percent above the point they were when it was decontrolled? I am not attempting to say what figures he could use against any other figure, but I am talking about a principle. Would you object to that sort of a principle?

Mr. SMALL. Well, you have said two things. You have said the President—which is the essence of the Brown amendment—

Senator CAPEHART. I had no amendment in mind. I am just talking about the principle. First the President would be the one to do it; secondly, he would automatically have to decontrol if a certain thing happened; and, third, he would be given the right to

place controls back on, if prices in that given industry or item advanced, let us say, 25 percent above the point they were when they were decontrolled.

Mr. SMALL. Point two is the mathematical formula again.

Senator CAPEHART. Well, somebody would arrive at that, the Congress, the President, or the OPA. Now, could we not write into the law a provision of that sort and be liberal in doing it? Do you not think it would be better for everybody concerned, those that are opposed to any extension of OPA, and those who are for it? Don't you think it would give the Nation something concrete to shoot at; and don't you think it would encourage the manufacturers that were under controls to reach those peaks and get out from under controls?

Mr. SMALL. If the action that he took or the action that our country takes results in a substantial rise in prices, you are going to have another wave of strikes and production is going to go down again. We are going to get right back into this same ball of wax where we have got to recontrol and recontrol again. I am firmly of the opinion that the next 4 months, or 6 months, if we can manage to hold this boat from rocking too much—

Senator TAFT. What makes you think we are not going to have another wave of strikes anyway? We are going to have another wave of strikes. The CIO has already announced it.

I don't think there is any reason to think it is going to be any worse with change in price or without it. They demanded an increase and got it when there was no increase in the cost of living. They will demand it, whether there is or not. It is an argument, but as far as saying that price control will simply prevent a wave of strikes, I just don't see any basis for that claim.

Senator FULBRIGHT. May I inquire if Mr. Small is going to complete his statement, or not?

Mr. SMALL. I would like to.

Senator FULBRIGHT. Well, I would like to hear it.

Mr. SMALL. All right. I will go ahead with my statement for the moment. I have these figures now that we were talking about.

In 1939, December 31, the money in circulation was \$7,000,000,000. In February 1946 it was \$28,000,000,000. That is cash money in circulation.

Senator HICKENLOOPER. What was that first figure?

Mr. SMALL. Seven billion.

Senator HICKENLOOPER. No. I mean the first date.

Mr. SMALL. December 31, 1939.

The CHAIRMAN. That is free of any bonds?

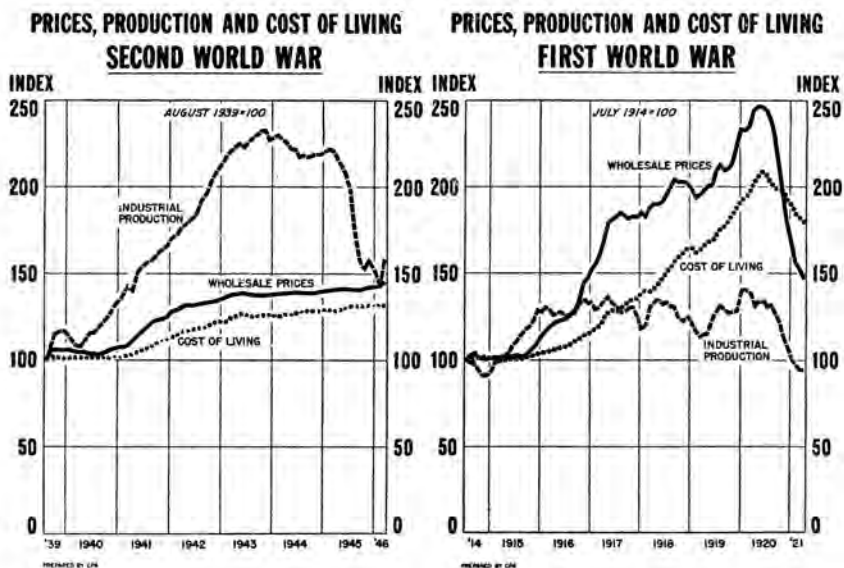
Mr. SMALL. Yes. That is money in circulation. Your demand deposits, if you want that figure—

Senator HICKENLOOPER. Your \$28,000,000,000 was when?

Mr. SMALL. February 28, 1946. Your demand deposits, December 31, 1939, were \$18,700,000,000. February 1946, \$37,700,000,000.

I have here some graphs which picture the course of prices and production in the uncontrolled situation which came with the First World War.

(The charts are as follows:)



Mr. SMALL. This is what happened last time. I believe that by all the rules of probability, something like this would happen again if we dropped our price controls before production is within reach of demand.

On the first chart there you have wholesale prices at the black line. Starting back in 1914 as a base, you can see the precipitous rise, before we took on some voluntary controls in 1917-18. Then we had a little depression after the armistice and then a sharp rise again.

At the same time, look at that production curve, which is red. Production does not follow prices. It certainly did not then.

Senator MILLIKIN. What brought those prices down?

Mr. SMALL. Do you mean finally brought them down?

Senator MILLIKIN. Yes.

Mr. SMALL. We had in 1919-20—that was your inflationary period—a snowballing of demand and hoarding of inventories, duplication of orders, everybody tried to buy everything he could get his hands on and hold it, and the price rose. It finally got up to such a point that the prices themselves caused a buyer's strike, which produced a catastrophe.

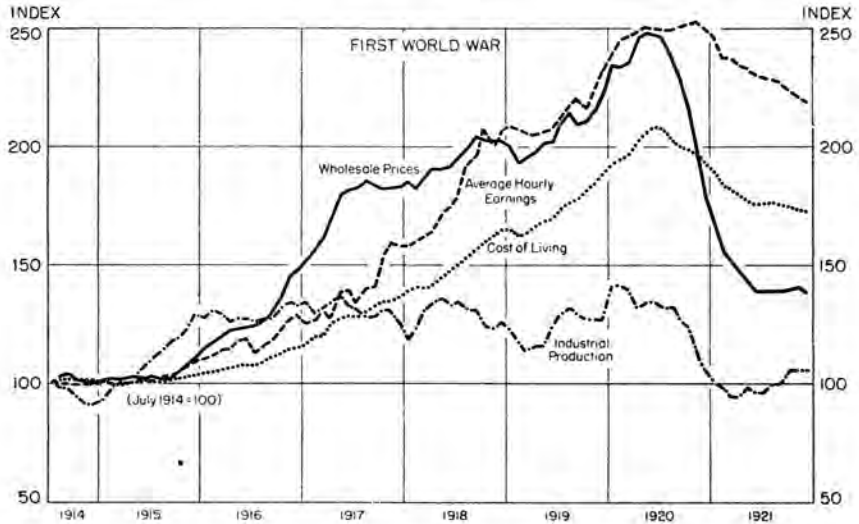
Senator MILLIKIN. An accumulation in goods came into the market—hoarded in the manner which you mention, and then let loose—came on the market and reduced prices.

Mr. SMALL. That is right.

Senator MILLIKIN. Which is another way of saying production.

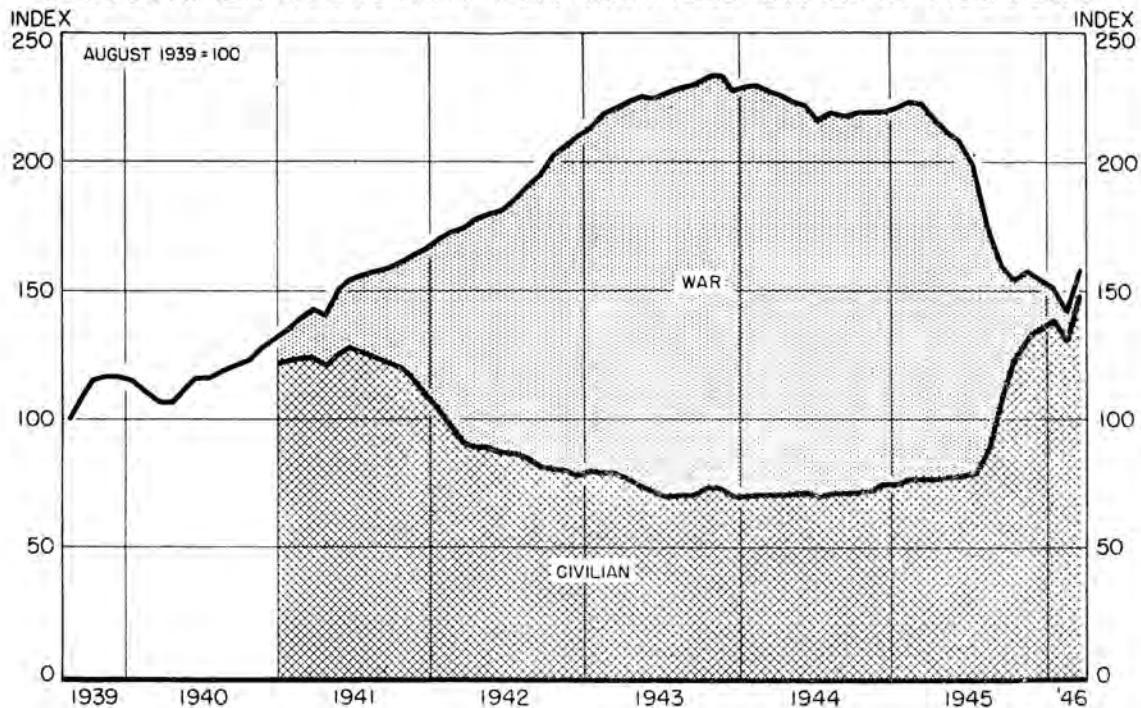
Senator TAFT. Mr. Small, there is one other factor that is not shown in any of these figures, and that is the wage level. It is not shown in any of these charts that Mr. Bowles brings in, and that is one thing that seems to me to have a bearing on the fact that wholesale prices are not going to collapse, because they cannot collapse to the extent

PRODUCTION, PRICES, WAGES AND COST OF LIVING
FIRST WORLD WAR AND SECOND WORLD WAR



Prepared by CPB

INDUSTRIAL PRODUCTION FOR WAR AND CIVILIAN ACCOUNT



Prepared by CPA from data furnished by Board of Governors of the Federal Reserve System.
No information on war production available before January 1941.

they did after the former war. I don't know what they would show, but I think they would show that wages have kept up, more than kept up with prices, whereas the other time wages fell way behind prices.

Now, that factor is not shown in any of these charts. I think it ought to be.

Mr. SMALL. I will be glad to have those charts changed to have wages in. I suppose you mean the wages in the manufacturing industries?

Senator TAFT. That is right. What I am trying to get at is the cost of production, how much the costs of production have gone up.

Mr. SMALL. I will be glad to have that put in, but the main thing this chart is supposed to show to you—the illuminating thing to me—is that just letting prices go sky high does not automatically increase production. I go into that at greater length in my statement.

The CHAIRMAN. There was a great deal of speculation then, was there not?

Mr. SMALL. Oh, yes; certainly.

Senator TAFT. I don't see why that chart shows that. If you take your chart on industrial production, at the end of the war, 1918, and during the year 1919, although war production stopped, there was a big increase in production as a whole, so that there must have been a tremendous increase in civilian production in 1919. So I don't quite see that that proves your increase in prices did not produce increased production. Is that not a correct analysis?

Senator MILLIKIN. Your production fell from the last war, when?

Mr. SMALL. From here down to here. This obviously was to take care of civilian production.

Senator MILLIKIN. That is right.

Mr. SMALL. And apparently did the job, because it caused the whole thing to collapse.

Senator CAPEHART. Mr. Chairman, may I say this: That prices either low or high, have nothing to do with production. The thing that encourages production is profits. You might not want to manufacture at prices that are extremely high because there is no profit; or again, you might want to produce at the utmost capacity if prices were low. The thing that gets production is the chance to make a profit, not whether prices are high or low. I don't care, as a manufacturer, whether I sell at a high price or a low price if I get the volume to make a little money, so that there is no relationship between high prices and production.

The thing that gets production is profits. The profit incentive is the thing that makes people produce. Prices might be sky high and if their costs were just as high in relation, and they were making no money, they might be less likely to produce, because their chance of loss would be that much greater, because they are dealing in more business, more volume, and taking the same chances. So the relationship between prices and production, as I know it through having been in business for 25 years—well, there is no relationship.

Mr. SMALL. Mr. Baruch said one time a very true statement. He said [reading]:

No device is more stimulating to the energy of the American businessman than is a vision of fair reward.

Senator CAPEHART. That is the point exactly, and the businessmen don't care whether prices are high or low, if the yare getting volume and making some profit.

Mr. SMALL. One thing, however, that is along the point Senator Taft is making, in normal times when demand exceeds supply, the rising of prices may cause production to go up on that particular element, but the ones where you have a shortage are rather few out of the many. Most things that are scarce today prices would go up on. In normal times, in a free economy, if prices go up, consumption is reduced automatically, because of the higher price, and in the long run prices will return automatically, but here today everything is scarce. You have this avid demand for consumer goods. It differs from the normal economy in that degree.

If I may go on, the second chart is the one that shows the condition during this war, where production has gone up due to the war; it has now turned back up again and wholesale prices have been maintained practically on a plateau, a gently rising plateau.

Senator TOBEY. That red line refers to war production?

Mr. SMALL. All production; civilian as well as war.

Senator TOBEY. Is that broken down in any way to show civilian and war production separately?

Mr. SMALL. We could do it, but this is the sum of the two. We could give you those figures. I think I have those figures here.

Senator MILLIKIN. Mr. Small, there is no attempt made here in this chart we are now referring to to give any weight to black-market prices, is there?

Mr. SMALL. No, sir. That is one thing I don't know how we could put into a chart.

Senator MILLIKIN. I do not think you can. But I think we should keep in mind the chart has some distortion because it does not reflect the black market.

Mr. SMALL. That is right.

Senator TOBEY. I had a manufacturer of gaskets in New Hampshire complain to me about black markets. He condemned black marketing very severely. After he got through condemning it, I said, "Do you know where there is a black market operating?"

He said, "I certainly do."

I said, "Have you ever gone to the OPA in Concord, N. H., and presented them with your evidence?"

He said, "No."

I said, "Why not?"

He said, "I haven't time."

I said, "You have time to call me and talk to me for a half hour about the matter, but you haven't time to go to OPA who could really do something about it."

That is typical of people in this country today. Everybody is talking about black markets, but nobody seems to want to do anything about helping OPA to get rid of them. We talk about them, we acknowledge them, but we go along with them; am I right?

Mr. SMALL. Right. I think industry is falling down on this job of helping OPA and the FBI to cure this black-market situation. The OPA, the FBI, and the Treasury Department are trying to make a job of it, but we need the support of every citizen in this country.

Senator TOBEY. Exactly.

Mr. SMALL. If we are going to beat the black market.

Senator TOBEY. Fearless teamwork of every soul in this country, would do it?

Mr. SMALL. Yes.

Senator TOBEY. But throwing bricks and calling it names will not do it?

Mr. SMALL. That is right.

Senator TAYLOR. Mr. Small, what we are primarily interested in is, when you speak of the cost of living, we are interested in the cost of living of the wage earner and the salary earner, and not these sports who have a lot of unprecedented wartime profits to spend. Is that not what you would say was our objective?

Mr. SMALL. That is right.

Senator TAYLOR. Then I would say that black markets do not affect the people in whom we are primarily interested so much. I know that I am not going out to hunt up black markets to buy things, scarce items like T-bone steaks, and one thing and another. We buy all of our groceries right at our neighborhood grocery. It is run by an Italian couple who had two sons in the war. I talked to them about the black market and they said they could go to the black market and have these T-bone steaks in their store, and butter, every day, and all these different things, but they absolutely would not trade in the black market.

So, we don't have to go to the black markets. It may affect the prices of some; there are a lot of people with a lot of money, trying to put on a big front, and they go out and get the butter and the T-bone steaks and all the other scarce items. I do not think it is hurting the wage earner there so awfully much to let these people squander their money if they want to.

I am not saying we should condone the black market. I am just saying when we talk of the black market having raised the cost of living, it has for some people, those who are foolish enough to patronize it, but not so much those who try to stay within the legitimate ceilings or stay in the legitimate market.

Mr. SMALL. The trouble really arises, Senator, when the black market diverts too much so that you have nothing left in the free market. In certain areas you haven't anything left in the free market to be sold at ceiling prices.

Senator MILLIKIN. We have a perfect example of that, Mr. Small, in the meat business.

Mr. SMALL. That is right.

Senator MILLIKIN. Where we have a packing plant with a 5,000 steer capacity that is able to get 8 or 9 steers, as was developed in the testimony last week. There is your complete answer.

Senator TAYLOR. Well, but even so, the part of that meat that goes to the black market is the fancy cuts. I doubt very much if they can dispose of the regular cuts on the black market and it is turned back to the stores. Even black-market meat, I imagine, comes to the store at the ceiling, to get rid of the undesirable cuts. So there again I don't think the black market has such a big bearing on the cost of living to the average people.

Senator CAPEHART. Mr. Chairman, unfortunately we found our own Government the other day entering the black market on 50,000,000 bushels of corn.

The CHAIRMAN. That was to help feed the people of Europe.

Senator CAPEHART. Mr. Chairman, Mr. Anderson testified before this committee that the 50,000,000 bushels were going to the corn processors of America; and that the American taxpayer was going to absorb the 30-cent premium that the Government was paying. That was Mr. Anderson's own testimony. That is part of the record. That is what we all thought when it was originally announced, but Mr. Anderson in his testimony the other day stated it was going to the processors to make corn products. He said indirectly it possibly would help the situation, but the corn is being turned over to the processors in this country, not to the starving in Europe, and that the American taxpayers would absorb the 30-cent premium they were paying.

Now the reason the Government did it—and I am not criticizing them for doing it, because I know of no other way they could have secured the corn—but the fact remains they found in order to get 50,000,000 bushels and get it in a hurry they had to pay a premium to get it, which in principle is the same as any other businessman or individual does when he finds himself short. If he must have something he goes out and pays a premium price for it, which we term the black market.

Mr. SMALL. Shall I proceed?

The CHAIRMAN. Proceed.

Mr. SMALL. These graphs provide the answer to those who claim that price rises would immediately bring out production of the things we need. It is true that over the long term the laws of supply and demand would tend to increase and balance our production and bring prices down.

This happened—over the long term—after the last war. But the law of supply and demand cannot bring about these adjustments in the short term of a few months. Severe shortages exist—lumber, steel, particularly sheet steel, lead, paper, building materials, are typical examples. They cannot be relieved overnight by the mere act of removing or altering price controls.

If it were not for strikes, we would now be at or near capacity production in most fields. But the demand is so great that even this is not enough. We are limited by our existing facilities and materials, and especially by our manpower resources. Our labor reserves are not flexible. They are now low, and they will grow lower as reconversion proceeds.

Our time of danger is during the next few months ahead. Six months of full production would, I think, see us in a position where we could afford to take risks. Fiscal reforms, even if put into effect now, would not affect the near future substantially.

All this means that increases in production certainly could not keep pace with the increases in prices which would follow relaxation of controls. The lines in the graph show what happened after the last war; prices shot sky high, but increases in the amount of goods produced were insignificant. There is no reason to believe that the same conditions would give us any better results now.

Senator MILLIKIN. Mr. Small, I don't want to continue a debate on it, but I respectfully suggest that the graphs did not show that production did not affect the price line. I should like to recall to your memory that the graphs line in production took a rise after the conclusion of the last war, and I conclude from that it was responsible

for bringing down prices. Whether through immediate channeling of goods into the market or through hoarding, it finally came on the market and broke the line.

Mr. SMALL. Production started up after that sharp recession we had after the Armistice Day. Production did start up in percentage-wise, but by no means like what prices did percentage-wise. Your prices, starting in with raw material, going all the way up, finally reached a point where we had a buyers' strike. We did not flood the country with goods at a low price. We were starting to flood the country with goods at a high price that the people could not pay. Therefore they stopped buying and the people who had hoarded inventories, which had deterred production and competition which would have forced production down didn't occur and we found our boys all caught then with this high priced inventory. That is the reason you had all your bankruptcy.

Senator MILLIKIN. I quite agree that was a factor, but the existence of the inventories was the pressure which I suggest brought prices down and the distribution of the inventories into the market. It could not have happened, I suggest, in any other way.

Mr. SMALL. My belief is that it was the existence of the inventories at an inflated price which caused it.

Senator BUCK. You say, "Six months of full production would see us in a position where we could afford to take risks." Do you think by the end of the year, or even by a year from July, we can be through with price controls?

Mr. SMALL. If we could have full production starting in right now and no interruption—this stop-and-go business we are going through is wrecking production, but if we could have full production without interruption, maximum production where everybody could get his parts, basic materials and everything he wants, we would make so many units—that is, at a price, a controlled price, that would not be out of balance, we would flood the country with so many goods that most of these problems would disappear and you would find very few of them left.

In our own field, in CPA, you would find nothing left, practically.

Senator BUCK. You expressed some hope that that might occur in 6 months, but evidently you did not take into consideration the coal strike. Do you think in another 6 months after that, regardless of what conditions may be, it won't be so serious that we will have to administer price control for 12 more months?

Mr. SMALL. I have down in the lower left-hand corner of my desk a crystal ball which I look into every morning. But if we keep this stop-and-go business, I don't know what will happen. Everybody gets started to producing; then something stops like lumber, or steel, or copper, or whatever it is, or electrical goods. That cuts clear across the board and everybody then has to slow down again. I think we are going to find ourselves forced back into more controls than we have got today, the very thing I think would be horrible for our country.

Senator CAPEHART. You are talking about rationing?

Mr. SMALL. Yes.

Senator MILLIKIN. Your whole theory of a substantial rise in production rests on the theory of wage stabilization?

Mr. SMALL. That is right.

Senator MILLIKIN. Do you go with the Baruch theory that industrial disturbances should be rigidly prohibited for, say, a year?

Mr. SMALL. I do not think we would have to do it for a year; but I think that the best thing that could possibly happen to our country would be to have labor agree that they are going to cease work stoppages for a period of the next 6 months ahead; and we would be over the hump.

Senator BUCK. What is your prescription with regard to Mr. Lewis?

Mr. SMALL. Mr. Lewis' actions are detrimental, and I think he should awaken to what he is doing, because this country cannot be run, in my opinion, successfully, where one small group of people can stop the whole thing.

Senator BUCK. Why do we permit it?

Mr. SMALL. That is a question that should be asked of the Congress.

Senator CAPEHART. The fact of the matter is that Mr. Lewis is not violating any law.

Mr. SMALL. Of course he is not.

Senator CAPEHART. He is violating no law; he is living within the law; he is doing what the law permits him to do, and he is doing what labor has been encouraged to do, and what everybody professes to believe in, which is collective bargaining. The miners have just as much right to do what they are doing as did the automobile workers and the steel workers.

Senator TOBEY. And what the Republican Party put into its platform.

Senator CAPEHART. I do not know about that. Unfortunately, they do not consult me when they write the platforms.

Senator TOBEY. Nor me either.

Senator MILLIKIN. Is it not perfectly clear that if you grant a wage increase in one important segment of industry, you have given an invitation for a similar increase in the rest of industry?

Mr. SMALL. The invitation is certainly there and will be used; but it does not follow that all segments are entitled to that same wage increase. In collective bargaining they should get what they are entitled to. I believe in the rights of labor and that they should be protected, but I also believe that great harm is being done to the cause of labor by its arbitrary actions, with no real benefit to anybody. Labor is being harmed and the cause of labor is being harmed.

Senator MILLIKIN. I think, Mr. Small, that we should be fair; but when you give a wage increase to a substantial segment of our economy you are giving an invitation for the workingmen in other parts of our economy to secure a similar increase. That is human nature. We have got to conform our actions to human nature. If we do not, we get into what we are in now, and we also get into this black-market business that we have been talking about.

Senator TOBEY. Is it not also an economic fact that if you remove controls from products and the cost of living goes up, the people that work in industry and the white-collar people have no redress because of increased costs?

Mr. SMALL. Exactly. It leads into just a vicious circle.

Senator TOBEY. More pay is needed to meet the increased costs?

Mr. SMALL. Yes; the workingman always loses out in such a case.

Senator TOBEY. Surely.

Senator CAPEHART. Is it not also true that if people are not working and not producing you likewise constantly have the threat of inflation in a shortage of merchandise which at any time is likely to erupt into a severe inflation and cause tremendous harm to the Nation?

Mr. SMALL. I am not sure that I quite understand your question.

Senator CAPEHART. It is a question as to which is worse. They are both bad; they are both a vicious circle.

Mr. SMALL. I would like to go on, if I may.

The CHAIRMAN. I hope you will.

Mr. SMALL. So that you may know the facts as to what progress the Nation is making in production I will give you, in a few moments, the latest available figures on over-all production. I will also give you some figures on items which we are watching closely.

Last fall many persons both in and out of Government expected that by this time we would be facing surpluses of materials, of labor, and of productive capacity. The immediate postwar problem was seen as one of finding work for the men and machines that would be idle.

Reconversion in its early stages was so successful that our big problem now is not unemployment, but inflation. Production turned sharply upward last November in spite of pricing problems, and it continued its climb until the major set-backs caused by strikes. At present the coal strike is becoming a larger and larger obstacle. In general, however, America's reconversion thus far, up until the time of the coal strike, has been an outstanding achievement, especially in view of the pessimism expressed last fall. Actually, if you use pre-war standards as a yardstick, production in a good many fields is very high. Here is the over-all picture:

Industrial production, civilian and military selected items

[Seasonally adjusted indexes, 1935-30-100]

Item	1941 average	1945		1946		
		First half average	Low for year	January	February	March
Industrial production, total.....	162	230	162	160	153	169
Selected industries:						
Iron and steel.....	186	206	162	101	43	170
Machinery.....	221	419	230	222	193	213
Automotive (including trucks).....	152	228	94	105	101	105
Chemicals.....	176	318	230	235	234	236
Stone, clay, and glass products.....	162	164	158	174	186	191
Lumber.....	129	110	72	95	108	108
Textiles and products.....	152	151	132	151	159	162
Leather products.....	123	121	108	119	133	-----
Paper and products.....	150	140	131	133	140	144

Source: Federal Reserve Board.

Senator TOBEY. Does lumber come within your purview?

Mr. SMALL. Yes, sir.

Senator TOBEY. What do you have to say about the shortage which is so prevalent? You cannot buy pine or cedar shingles; you cannot buy clapboards. I have just returned from New England and met a great many people, including veterans returning from the war, who cannot get a clapboard and cannot get a shingle. What is the situation?

Mr. SMALL. We were running, back in December, at the rate of about 25,000,000,000 feet; that is, the annual rate. The demand was for 36,000,000,000 or 38,000,000,000 feet. In January and February conditions were improving a little bit, and we were up to about 29,000,000,000 feet, or maybe 30,000,000,000. There is a strike vote out in the West, and if that happens we will drop off again. We have a terrific shortage of lumber, and we have this housing situation. Presumably, last fall, when we lifted L-41 the demands for all types of construction, including repair and maintenance, would be about 12½ billion, and we believed at that time that if people went back to work in the woods and mills we would have enough material to support that 12½ billion. But by November it became clear that it was going to be about 14½ billion. Then Mr. Wyatt and the President came along with a program for the veterans that adds another 2 billion, which makes it about 16½ billion dollars' worth of construction, maintenance, and repair. We have not got anything like that, and we are not going to get it.

Senator TOBEY. You are not going to see a time in the immediate future when you will come to that production?

Mr. SMALL. No; we cannot have it.

Senator TOBEY. Ordinary matched pine boards normally selling for \$30 or \$40 a thousand are now \$100. There is a 3 to 1 ratio. That is such a tremendous increase in price that it made me raise my eyebrows. I have just come from a section of New England where I found that situation to exist, and I have been amazed at the lumber situation. It is a staggering thing.

Senator MITCHELL. But there is another factor that you have not mentioned, which is the weather. It has cut down production tremendously.

Mr. SMALL. Yes. But the main problem has been manpower, wage disputes, and pricing problems.

Senator MITCHELL. But our log requirements in the Pacific Northwest should have been filled up in March, and they are not filled up yet. The weather has a very definite effect in cutting down production. So there are a number of factors in all of these things.

Mr. SMALL. Yes. We use OPA as a whipping boy, but price is not the only answer to these things.

But if production is high by prewar standards, why can't the consumer get everything he wants?

The answer, of course, is that prewar standards no longer apply. Production is relative. It must be measured against the needs of the present and of the future, not solely against the records of the past. What would have been an adequate supply in prewar years may today either be entirely inadequate due to enormous demand, as in the case of men's suits, or may be more than adequate, as in the case of those things where the market is now saturated; for example certain types of machine tools. There is no single, simple rule that I know whereby adequacy of supply today of all products can be accurately measured by some arbitrary percentage of the production of a prewar year. The case of each product must be judged on its own merits. Prewar production may have balanced prewar demand, but the same rate of production today would be hopelessly outweighed by the present demand.

I have been emphasizing that our production must be measured against current demand—that the demand-supply position must always be expressed as a ratio, not as a single figure. That brings up two questions: “What is our present production?” and “What is the demand?”

I am prepared to give you today some figures on the production of selected items which are now in short supply. These figures will show that we have made substantial progress since VJ-day, and that we are now approaching prewar production rates in a number of our short commodities.

The companion question, “What is the demand?”, cannot be answered in figures. It can be answered only by saying that the demand is so great on these short products that for at least the 6 or 8 months ahead it will continue to absorb nearly everything that can be produced.

The term “sales resistance” has vanished from our vocabulary. Instead of resisting sales, the public is clamoring for goods. Sales resistance will return within the next year only if price controls are removed and prices skyrocket to such heights that the public stages another buyers’ strike. This is what happened at the peak of our inflation after the last war, and this is what could again burst our economic bubble unless we keep prices within bounds.

Just how are we doing in production of so-called shortage items? Here are the figures:

I shall not quote all of these figures.

The CHAIRMAN. Put the table into the record.

(The table referred to is as follows:)

Selected items short in the civilian economy

Item	Unit of measure	Prewar base period		1945					1946			
		Date	Average month	August	September	October	November	December	January	February	March	April
Automobiles	Units	1941	358,071	1,831	580	16,839	34,612	30,022	58,575	47,965	90,045	
Trucks, extra military	do	1941	86,839	27,532	30,106	40,900	53,103	28,792	54,791	28,594	39,348	
Tires:												
Passenger cars	Millions	1941	4.2	2.5	2.6	3.7	3.7	3.9	4.8	4.6	5.4	
Bus and truck	do	1941	1.0	1.2	1.8	1.1	1.0	1.0	1.3	1.2	1.4	
Vacuum cleaners (domestic)	Thousands	1940-41	156	(2)	(2)	26	82	89	120	128	162	
Washing machines	do	1940-41	158	(2)	(2)	40	60	99	171	88	111	
Mechanical refrigerators	do	1940-41	309	(2)	(2)	85	115	125	123	67	98	
Alarm clocks	do	1936-41	1,147	(2)	(2)	600	660	713	451	1,100		
Radio receivers	do	1940-41	1,078	(2)	(2)	(1)	50	200	550	750	1,000	
Electric ranges	do	1940-41	47	(2)	(2)	15	27	29	25	20	23	
Electric irons	do	1940	380	(2)	(2)	210	308	348	282	308		
Sewing machines	do	1941	67	(2)	(2)	4	4	9	12	13	28	
Enamelware	Millions of dollars	1940-41	\$1.6	(2)	(2)	\$2.5	\$2.3	\$1.5	\$2.9	\$2.6		
Flatware	do	1940-41	\$3.3	(2)	(2)	\$2.7	\$2.9	\$3.4	\$3.2	\$3.4		
Do	Million pieces	1940-41	26.5	(2)	(2)	21.9	23.0	27.6	25.7	27.3		
Bicycles	Thousands	1941	155	(2)	(2)	68	97	86	129	120.5		
Shoes	Million pairs	1940	33.7	42.1	37.5	42.4	40.2	34.6	34.7	40	42	
Cotton fabric	Million linear yards	1939	692	667	705	707	729	697	732	764	779	
Rayon, silk, nylon, and other synthetic fabric	do	1939	112	129	143	136	135	131	141	149		
Woolen and worsted fabric	do	1939	32	35	38	41	42	41	44	49		
Lumber	Million board feet	1941	3,045	2,664	2,196	2,014	1,878	1,447	1,902	2,081	2,250	2,500
Softwood plywood	Million square feet	1941	140	114	90	67	58	75	107	98	1101	1110
Common and face brick	Millions	1941	412	211	210	250	263	236	271	281	334	384
Structural clay tile	Millions	1941	94	61.6	62.4	67.8	71.5	62.0	68.7	67.5	78.1	89.8
Clay sewer pipe	do	1941	(2)	59	60	72	74	71	88	63	62	70
Cast-iron soil pipe	do	1941	47	15.3	17.3	22.1	22.8	22.0	27.5	25.6	28	28.7
Gypsum board	Million square feet	1941	231	173	174	198	191	174	216	207	240	264
Cast-iron radiation	Thousands square feet	1941	7,007	1,310	1,471	904	1,298	1,616	1,931	1,952	2,353	2,698
Warm air furnaces	Thousands units	1941	47.3	33.4	34.9	40.2	41.5	33.3	37.7	(2)	(2)	
Bathtubs	do	1941	98	26.8	29.5	35.5	36.5	41.5	(2)	(2)		
Freight cars	Units	1941	5,490	3,966	3,050	3,684	3,490	3,332	4,312	2,852	2,771	
Fractional horsepower motors	Thousands	1939	885.1	703.7	686.7	888.9	1,058.7	1,079.1	873.4	849.9	85.0	900
Mechanical presses	Thousands of dollars	1939	762.0	1,618.2	2,133.6	3,097.6	2,561.3	2,587.0	2,538.0	2,478.0	2,523.0	
Farm machinery, including repair parts	Millions of dollars	1941	46.9	49.2	47.9	54.2	56.3	55.3	66.2	49.2	48.6	

¹ Estimated.
² Not available.

³ Census Bureau figures.
⁴ Negative.

⁵ Preliminary.
⁶ 3/8-inch basis.

⁷ Including exports.
⁸ Excludes military of 1,380.

Source: Civilian Production Administration, Review and Analysis Staff, Apr. 29, 1946.

Average weekly production, selected men's clothing items

[In thousands]

	Suits, wool		Overcoats and top-coats, men's	Separate trousers, men's	Separate coats, men's
	Men's and students'	Boys' and cadets'			
<i>1945</i>					
July.....	149	44	54	108	26
August.....	169	62	88	159	37
September.....	184	53	105	224	41
October.....	243	57	132	267	43
November.....	287	64	142	308	56
December.....	306	73	131	294	65
<i>1946</i>					
January.....	365	61	120	327	75
February.....	415	58	114	366	97
March.....	463	67	118	388	127

	Shirts, cotton			Under-shorts, men's	Pajamas and night-shirts, men's
	Men's dress	Boys' dress	Men's work		
<i>1945</i>					
July.....	58	10	51	61	15
August.....	86	13	83	65	19
September.....	99	12	83	91	20
October.....	103	10	80	131	23
November.....	127	19	123	137	22
December.....	105	13	100	173	20
<i>1946</i>					
January.....	122	22	102	114	18
February.....	106	14	114	146	23
March.....	135	16	106	94	15

Source: CPA, Textile Division.

Mr. SMALL. I think these figures are well worth looking at, because they show that we are making very considerable progress.

Just running down the list, take tires, bus and truck. In the average monthly base period we were producing 1,000,000 monthly. In March 1946 we were producing 1,400,000.

Vacuum cleaners, 156,000 and now 162,000.

Production went up rapidly until the steel strike.

The CHAIRMAN. Was it due to an increase of manpower?

Mr. SMALL. The plants had been doing other things, and they went to the production of these products and started to produce them until the steel strike hit them and cut off their materials; and now the coal strike, which, again, is hitting steel and hitting at the plants themselves. But these are the short items. These are the things that are particularly important.

We were talking about men's suits a short while ago. Take men's separate wool trousers. We produced in the average month in 1941 730,000 pairs. We are now producing 1,269,000—almost double. And men's wool jackets. We produced 150,000 in the average month of 1941, and now we are producing 231,000—almost double again. These are men's suits, really, because people use them for suits.

Senator CAPEHART. They buy them because they cannot get suits.

Mr. SMALL. Yes; but in the South they are certainly used in preference to suits.

Senator CAPEHART. Would this chart that you have here serve for making up some sort of formula, if it was liberal enough? It certainly would act as a working basis for doing something of that sort, would it not?

Mr. SMALL. Senator, if you can come out with a formula, a formula that will go across the board, I will be one of the most amazed people you have ever seen. I have thought about the thing for months; we have been talking about it, but I found no way of doing it.

Senator CAPEHART. Let us take your own chart here. You have a statement of what was produced in 1941. That is accurate, is it not?

Mr. SMALL. Yes.

Senator CAPEHART. Take the list there for April; suppose the figures in April had been 150 percent in every instance, or, say, in some instances 200 or 250 percent; would not that be indicative? If you had continued that production for 6 to 8 months, would not that be a good formula?

Mr. SMALL. Suppose production was 200 percent of that in 1941—

Senator CAPEHART. Let us take the short items, which you say are the ones that are causing us the trouble; and I agree with that. Those are the ones, then, that we should concentrate on. Those are the ones that we are likely to have inflation on. So let us take those items and take your chart for 1941 as being accurate and say that if the production of these items continues X amount for 4 months straight, or maybe 6 months, then they shall be decontrolled. I would be willing to leave that up to your judgment and that of the OPA officials. We can say that the President has the right to decontrol sooner if he sees fit; and if and when controls are discontinued, if the price goes up, the general over-all price, 10, 15, 20, or 25 percent, they would be subject to control again.

We have before us an amendment by the House under which they would decontrol when production reaches the amount reached in 1941. We have got to vote that up or down or we have got to rewrite it on a more liberal basis, or kill it. That is one of the problems that we have confronting us.

Mr. SMALL. I know it. If you adopt that formula and say 200 percent of 1941, when it reaches that point—

Senator CAPEHART. It would have to stay there for 4 months.

Mr. SMALL. I would say you would be holding on to price control.

Senator CAPEHART. We can give the President the right to eliminate control or decontrol the item any time he sees fit, but it automatically has to be decontrolled when it reaches that figure; and then he would have the right to bring it back under control if the price increase was X percent.

Senator TOBEY. I take it that you do not consider the House amendment a sound amendment?

Mr. SMALL. No; I do not.

Senator TOBEY. I do not think many of us do here. I do not know how many.

Senator CAPEHART. My opinion is that the reason it is unsound is that it asks that everything be decontrolled on a basis of 1941 production. It seems to me that 200 percent on some and maybe 125 percent on others is large enough.

Mr. SMALL. When you do that you have to do it on a product-by-product basis.

Senator CAPEHART. Let us do it on these items here which you have exact figures on, and leave other items out, because these seem to be the main items in our national economy. I think food requires separate treatment. I think food and manufactured items are in two entirely different categories and should be entirely so treated.

Mr. SMALL. Just take a simple illustration, that of automobiles. If we had 15,000,000 automobiles produced this year there is no question about being able to sell them.

Senator CAPEHART. Let us say that when automobiles reach a production of 150 percent of what it was in 1941, over a period of 12 months—

Mr. SMALL. That carries price control further than I want to see it carried. I want to get rid of it.

Senator CAPEHART. I do not think the calendar has anything to do with it. The thing that we are trying to avoid is inflation, and we are trying to decontrol when consumption comes within demand. I do not think the calendar has anything to do with it. If we try to legislate according to the calendar, we are going to get into trouble, and we will be back here again a year from now going through what we are going through now, and there will be confusion on the part of all the people, particularly industry, as to what they may expect.

Senator RADCLIFFE. In view of the fact that production has been practically nonexistent for a number of years would you not, in attempting to set up any program or standard, have to give consideration to the durability of a number of articles? Where an article lasts a number of years the question of replacement is totally different than in cases where the life is very short. It seems to me that that element would necessarily come in if we attempt to fix any kind of standard or formula—the relative durability of various articles.

Mr. SMALL. Yes. There are a great many factors that enter into it. In all of the thinking that I have been putting on this matter I come back to the fact that what we are talking about is the exercise of good judgment on a product-by-product basis.

You have before you our April report, and in your thinking on this problem, if you will turn to page 10 of that report, you will find building materials, and the amount we need in 1946 and 1947 as against our peak production in the past. It varies all over the lot.

Senator CAPEHART. I recognize that. That is why the calendar could not operate. I have no objection to even setting a formula that in some instances we might say 300 or 400 percent. I am not going to quarrel with you as to the percentage, because I think that could be fairly well arrived at, because goods at the moment divide themselves into two categories. We have a category where there is a pent-up demand, such as for automobiles and durable goods because people have not been able to buy any in the past 4 years. Then we have another category, which is food, tobacco, cigarettes, gasoline, and oil. There is no pent-up demand for those. The fact that we are all living today shows that there is no pent-up demand for food. So they come into two different categories entirely, food and durable goods, manufactured goods.

I am not going to quarrel with you as to what the percentage is. I am just trying to arrive at what I believe should be an amount that would be a good thing for the Nation as a whole, because everybody would know what to expect.

Mr. SMALL. You might be able to do it by categories; you cannot do it on an over-all basis.

Senator RADCLIFFE. Not only broad but numerous categories?

Mr. SMALL. Yes. I just shudder at the task.

The CHAIRMAN. You would not have to take care of that.

Mr. SMALL. No.

Senator CAPEHART. You have it right in this chart. It is already worked out, as far as the 1941 production is concerned. These are short items. All you have to do is to say that production is X amount for 6 months continuous period, and you automatically de-control with the right to again control if prices go up.

But, pardon me; proceed.

Mr. SMALL. These figures were chosen simply to show that progress is being made in overcoming shortages. They are a sample—a cross section—of the total production picture in scarce consumers' goods. For an over-all picture of American production, I refer you to the monthly reports of the Civilian Production Administration for March and April, copies of which have been distributed to the committee. These reports reveal that much the same situation exists in nearly all types of production—our output was climbing until the strikes intervened, but it was still far short of demand in March. April shows a worse picture because of the slow-downs and shut-downs caused by the coal strike.

In order to give you another type of concrete evidence of the current rate of operation of the industrial machine, I am inserting in the record a table showing recent production of 15 basic industrial materials as compared with 1941, our best prewar year. It should be remembered that in that year military procurement accounted for a considerably larger proportion of industrial output than it has in recent months. You will immediately see that our main problem areas have been and still are steel and copper, cotton textiles, and building materials. In both steel and copper our poor showing is primarily due to strikes in the first quarter. In cotton textiles in addition to price problems which I hope are now largely solved we are still wrestling with the labor shortage that developed in the mills from 1942 on. In building materials our difficulties are traceable to price problems, now largely but not completely solved and to the low levels of operation and of employment induced by wartime restrictions on consumption. In building materials as in cotton textiles considerable improvement in production has been effected in recent months and we have every reason to hope for more in the months ahead.

The CHAIRMAN. Can you estimate how many items there would be?

Mr. SMALL. There would be hundreds of thousands of items.

Senator CAPEHART. They divide themselves into categories.

The CHAIRMAN. I asked that question because Senator Capehart is very insistent on his point.

Senator CAPEHART. You have building materials divided into two or three categories.

The CHAIRMAN. You regard it as very simple, but I regard it as complex.

Senator TOBEY. Did you print this down in your establishment?

Mr. SMALL. We mimeographed it.

Senator TOBEY. How many extra copies have you down there?

Mr. SMALL. We have a hundred at the office.

Senator TOBEY. I wish you would send me 500 copies.

Mr. SMALL. All right, sir.

The CHAIRMAN. I think they would be very useful.

(The table referred to and submitted by the witness is as follows:)

Post VJ-day production of selected basic materials compared with production for 1941

[Monthly averages]

	1941	Latest 6 months
Steel ingot production..... thousands of short tons.....	6,903.0	4,943.0
Copper, refinery..... do.....	88.8	57.6
Lead, refined..... do.....	44.0	43.1
Rayon consumption..... millions of pounds.....	48.3	68.3
Apparel wool consumption..... do.....	42.4	45.1
Paperboard production..... thousands of short tons.....	653.5	650.5
Newsprint consumption..... do.....	245.6	235.1
Sulfuric acid..... do.....	565.0	715.0
Nitric acid..... do.....	28.0	33.0
Glass containers..... thousands of gross.....	5,901.0	9,369.0
Portland cement..... millions of barrels.....	13.7	10.3
Bituminous coal production..... millions of short tons.....	42.8	44.2
Petroleum production..... millions of barrels.....	116.9	135.7
Electric power production..... billions of kilowatt-hours.....	14.0	17.3
Manufactured and natural gas..... billions of cubic feet.....	167.7	208.0

Senator MILLIKIN. Why is cement down in production?

Mr. SMALL. Because of the lack of other building materials. They do not stock-pile.

For other types of industrial materials—paper products, textiles other than cotton, chemicals, and fuels—recent production is generally close to, in some instances well above, 1941 rates. Current production levels of fuel are especially significant. Significant also is the fact that total civilian employment today—I am talking about March and early April—is about one-half million higher than a year ago. It sounds unbelievable, but it is true. We have now got a half million more people working.

These signs indicate that general industrial activity is now considerably above 1941. This fact may at first sight be hard to square with the general impression of serious shortages at the retail level, but this is explained by three circumstances: A high proportion of recent output has gone into reconversion operations; into the construction of new plants, the purchase of new equipment which is a necessary preliminary to any expansion in the production of additional consumers goods; into the filling of component pipe lines through the manufacturing chains; and into filling distribution pipe lines through the wholesaler to the retailer.

There is an inevitable lag between the production of raw materials and the appearance of finished items on dealers' shelves. The high levels of raw-material production achieved in March will not be reflected in increased supplies of consumers' goods until the summer months or even later.

Senator TOBEY. That, of course, varies with different products and different industries?

Mr. SMALL. Yes. For such consumers' items as are being turned out in quantities considerably greater than in 1941, consumer demand is so great that dealers are unable to accumulate normal stocks and to those who lose out in the scramble for goods, it may well appear

that the supply situation is no better, or even worse, than during the war, and certainly not to be compared with 1941 when dealers' inventories were at very high levels.

The CHAIRMAN. You speak about dealers' shelves. Does that mean that they are holding back for higher prices, or what?

Mr. SMALL. No, Senator. I go into that a little later. The situation is not as it is commonly thought.

Every now and then, when we present figures showing how well our reconversion is going, someone tries to stump us by asking: "Well, if production is so good, why can't I buy everything I want?"

The answer is: "You can't go out right now and buy everything you want because right now you want more than you ever wanted before. You are impatient and in a hurry. You can't wait. And whenever scarce goods do appear on the shelves of the stores many—far too many—consumers buy all they can get their hands on instead of buying only what they really need and thus leaving something behind for the other fellow who really needs it."

The CHAIRMAN. They are buying because they feel they may need it some day?

Mr. SMALL. They are buying just because, if you even hint something is short on a consumer item the stores are mobbed.

Senator TOBEY. You have not mentioned one other factor, and that is the plethora of money.

Mr. SMALL. I mentioned that earlier. We have more cash money in circulation today than the whole public debt—\$28,000,000,000.

Senator CAPEHART. Do you not think that the Government might help the situation by putting on a campaign stating that there will be plenty rather than a campaign of scarcity? That prices will come down and consumption will go up? I agree with your statement a hundred percent, but I am wondering if the Government could not help the situation by reversing its tactics in its propaganda and publicity.

Senator MITCHELL. We can help them by passing a good OPA bill, can we not?

Mr. SMALL. You certainly can. I know of no campaign to preach scarcity. Take this report that you have in front of you. We tell facts; we tell the truth. This is the production of the country. This is what is really happening in the country.

Senator CAPEHART. But we had propaganda in the last month of run-away inflation and what would happen if OPA was or was not continued. That is what I am thinking of. It has had no effect on me.

The CHAIRMAN. Mr. Small is concerned with the question of inflation.

Senator CAPEHART. It has had no effect upon my thinking.

Mr. SMALL. I think there is a very real danger of inflation—I never believed anything with more sincerity—unless we can keep the boat from rocking. To point that out I think that is telling the truth to the people; and I believe we must tell the truth about all of these things.

Senator CAPEHART. That statement, when you make it as a Government official, of course causes people to run to the stores and buy all these things that you describe in your statement.

Mr. SMALL. Human nature is human nature. If they have nylon stockings in a store the women are going to mob it anyhow. But the moment that they can get them without waiting, the demand will drop off.

Senator TAFT. Do you think that the drop might be as bad as it was after the last war, if we even relax price control a little?

Mr. SMALL. It is all a question of degree, Senator. If the country believes that prices are going to be held within bounds and they can plan to go ahead and get production rolling, without being afraid that the thing that they are making today they will not be able to replace, or if they take an order today at a certain price they will be able to complete the transaction—

Senator TAFT. In 18 months after the First World War, when the prices were taken off all at once, much sooner than it should have been done at the time, I remember the battle in the administration as to whether to retain some controls—on sugar, for instance—prices went up 12½ percent above the prices that existed at that time. Of course they had already gone up pretty high; but with no control at all, in 18 months prices were only 12½ percent higher.

Mr. SMALL. Yes, from the bottom; but you are talking about starting from 100.

Senator TAFT. I am starting with what was the war level that was established. From that point they went up only 12½ percent, with all controls off. No one is proposing to take off all controls now. We are only trying to get a little justice in the administration of them. I cannot see that you are presenting any evidence that there is going to be this tremendous effect.

Mr. SMALL. Starting in, by Armistice Day prices had doubled.

Senator TAFT. I agree that is true; and today they have gone up only 67 percent.

Mr. SMALL. From Armistice Day on they went up another 50 points. In other words, they went up 50 percent beyond what they had been at the beginning of the war.

Senator TAFT. That has no relation to it. They went up 12½ percent from the economy that was established during the war. Why do you think it is going to be any different now from the economy established during the war?

Mr. SMALL. I will go back again to the early part of my statement and say that the pressures which exist today are immeasurably greater than they were at the end of the First World War. The duration of the First World War was very much shorter.

Senator TAFT. I agree that conditions are entirely different, but I do not think it proves anything, because I think the increases in wages are much greater, the increases in costs are much greater, and prices are held down so much more in proportion to costs than they were then, that conditions are entirely different. I am just saying that I do not think the parallel charts prove anything. That is all I am suggesting.

Mr. SMALL. My own feeling, Senator Taft, is that if we did what we did after the last war, and lift controls today, this peak we see on the chart would be at least doubled.

Senator TAFT. Your contention is that although in the last war, when prices increased only 12½ percent, that now conditions are so much worse that prices would increase much more if we take all

controls off. But nobody in the committee is seriously considering taking all controls off. We are only considering amendments that change the method of administration, which might result in some increases.

The CHAIRMAN. I do not want to get into a controversy, but there is one Member that thought we ought to take all controls off.

Mr. SMALL. There are many Members of Congress who think that today; I am sure of that.

The favorable picture, of over-all production gains, that I have been giving you, hides many of the troublesome distortions and production losses within product classes caused primarily by price ceilings and price controls. Over-all production of cotton fabrics has been rising, for example, but the figure hide the fact that the textile mills were shifting from low-profit fabrics that we badly need into higher-profit fabrics that could of course, be readily sold, but which we do not need anywhere near so badly. This situation became so acute on industrial fabrics that industrial production was being seriously interfered with.

Our whole electrical industry was in a jam because we could not get varnished cambric.

Senator TOBEY. Was there a great scarcity of BX cable?

Mr. SMALL. There is a scarcity, yes; but I am not informed on that.

In consequence, CPA was forced to exercise its controls to insure production of the needed fabrics, and simultaneously OPA gave price relief on those fabrics.

Much against my will, we had to do it to keep reconversion and production rolling and get those fabrics where we had to have them.

Production of the essential fabrics was resumed and I doubt that in this case any real hardship was caused the mills by the exercise of CPA controls.

Throughout industry similar shifts have been, and are, taking place—shifts away from “bread and butter” low-profit, or no-profit items into higher-profit items.

That is human nature. You cannot help it.

Such shifts as are permissible under the pricing regulations, are normal and are to be expected. Here and there the result is that certain products may go out of production and disappear from the market. Once this occurs, regardless of whether or not the product is of importance to the general welfare, and regardless of whether or not adequate substitutes are available, pressures are immediately exerted on CPA to take action under its powers to force production of the low- or no-profit item. Such pressures I have resisted, and will continue to resist, except in those few cases where the general public welfare is clearly jeopardized, and even then only where a fair and equitable price, including a reasonable profit, has been established. For example, a shift away from the production of tobacco cloth was a good example of where the public interest was jeopardized.

During the transition period from full war controls to peace conditions we have to accept the fact that some temporary dislocations are bound to occur. If we are ever to get back to free enterprise we must adjust ourselves to such dislocations through individual enterprise and not be stampeded into setting of new production controls, except in those rare instances where the public welfare is clearly imperiled.

One of the fundamental concepts of our people, and one to which I wholeheartedly subscribe, is the theory that government should not interfere with the processes of business any further than is absolutely necessary—the judgments of bureaucrats should not be substituted for economic trends.

With reference to inventory hoarding, rumors are constantly arising that there is inventory hoarding on a huge scale, that manufacturers, wholesalers, and retailers are hoarding their goods, building up inventories and holding goods off the market in order to break OPA. If this were true, the best way of stopping it would be to make it known immediately that prices would not be allowed to get out of hand. However, the story of huge inventories of goods jamming warehouses, simply is not true. Generally speaking, goods are moving from manufacturers to retailer to consumer almost as fast as a baseball moves around the infield in a double play.

I think you will be interested in those figures, Senator.

There are exceptions, of course. For example, whenever a rumor is spread around that a price rise is in prospect, shipments tend to drop off at once, or when a price adjustment has been agreed to by OPA, but has not yet been put into effect, some shipments are bound to be held up. But these exceptions are minor in number and in quantity of material.

Here are the facts on the inventory situation, as we have been able to follow it from monthly figures supplied by the Department of Commerce:

Merchandise inventories held by retailers in February of this year represented less than 30 days' sales and consisted chiefly of items in good supply. In February of 1939 they represented 45 days' sales, and constituted a balanced supply.

Wholesale inventories last February were 20 percent higher than they were in February of 1939—but over the same period retail sales increased 125 percent. When compared with retail sales, wholesale inventories this year were only half what they were in 1939.

The dollar value of manufacturers' inventories of finished goods in February of this year was 15 percent higher than it was the same month in 1939, but shipments of goods this year were 100 percent higher—\$8,200,000,000 in February 1946 as compared with \$4,100,000,000 in February 1939. Compared with shipments, manufacturers' stocks of finished goods are only half what the standards of 1939 seem to call for, and here again the stocks are concentrated on items in good supply.

The Compliance Division of the Civilian Production Administration is continually making spot checks on the inventories of critically short commodities. These investigations have shown that in some cases goods pile up in the process of manufacture because of shortages of materials or component parts. In a very few cases our investigation has revealed that manufacturers were actually holding back their stocks of finished goods, and in these cases we have taken action to get the goods moving by denying them additional materials until they got their inventories down.

In general, however, our spot checks confirm the statistics and show that goods so far are moving quickly from producer to consumer.

Undoubtedly the possibility of the removal of price controls, or of a substantial weakening of price control, on June 30, will encourage

producers and manufacturers to accumulate materials and components and to hold them. Day by day, and week by week, from here on, as long as price-control legislation is delayed, we may expect to see an increasing amount of hoarding.

I believe also that if price controls were removed, or substantially restricted, as of June 30, that the tendency would be for everyone to hold on to his inventory and wait for price rises, and that we would have a replica of the inventory hoarding of 1919-20 that was one of the primary causes for the disastrous inflation of those years and for the debacle that followed.

The next segment is stable costs:

To meet the demand which exists today and the demand which we can reasonably expect in the future, we must produce more goods than we have ever produced before.

I think that our chances of increasing production are excellent if we can have some substantial measure of industrial peace, and can have some stability in prices and costs.

Senator MILLIKIN. You do not preclude a raise in prices if that is necessary to get production?

Mr. SMALL. No, sir; certainly not.

Our manufacturing facilities have expanded greatly since 1939. We have made many technological advances and we have trained a large pool of skilled workers. The supply of some raw materials such as tin, lumber, and lead will remain problems but for the most part raw materials, if produced at capacity, should not prove serious industrial bottlenecks.

We have the capacity to produce and, in a few months, be in fairly decent shape.

We must have fairly stable costs to permit management to make the plans and commitments necessary in our complex production process. Manufacturers will be able to accept purchase orders and concentrate on production of an item only if they know now that the dollars they will receive for that item will be worth the time, effort, and money they expend in manufacturing it. If the future value of the dollar shows signs of dropping, our economic atmosphere will encourage speculation, not production.

That is a truism, I think, that we all agree to.

Senator MILLIKIN. What would you say as to the value of the dollar today as compared with 1941?

Mr. SMALL. About one-third off.

Senator MILLIKIN. That is another way of saying that those who bought bonds at the beginning of the war and might want to cash in on them have already lost one-third of their money?

Mr. SMALL. I touched on that.

Senator TOBEY. You discussed it very constructively.

Mr. SMALL. Once an inflationary trend is recognized, the tendency is for everyone along the line to build up inventories and hold goods in anticipation of further price rises. The dealer says to himself: "Why should I sell now, when I might get double the price if I wait?" Furthermore, manufacturers find that they can make quicker and easier profits by reselling raw materials than by processing them into finished goods. Material inventories change hands and prices climb, and meanwhile the output of end products suffers. Eventually prices collapse and someone is left holding the bag. Inflation would

hit the little fellow hardest for small business would not be able to stand the strains and take the risks which big business might survive.

That, again, is a truism. That happened after the last war, and it happens in every period of inflation.

Some opponents of price control have contended that removal of these controls would result in insignificant and temporary price rises, at the same time so stimulating production that a great flood of new goods would soon neutralize the scarcities and bring prices down.

I do not believe that things would work out that way. Unstable costs always hurt production and create confusion in business. I believe that if our present controls are removed or seriously weakened after June 30, the rise in prices would be quick, steep, and ultimately catastrophic.

Senator MILLIKIN. The thing that bothers me is the thing that I touched on awhile ago, and I would like to have your reaction to it. It seems to me that at every point where there has been serious pressure against the line, the line has not held. We have passed into the black market. What is the real validity of a price control that is not able to control where the pressures are hardest, and what is the remedy for the situation?

Mr. SMALL. Well, Senator, we have black markets. Nobody can argue that we do not have them. When you take into consideration the terrific production in March, for example, about 8.2 billions, really only a minor part of that is going black marketwise. Black markets are dramatized. But most of these things that we are using in industry—steel, motors, wires, castings, and everything you can think of that goes into the manufacture of goods—you can buy at ceiling prices. Most of industry is going ahead at ceiling prices today.

Senator MILLIKIN. But is there a heavy pressure against that part of the line?

Mr. SMALL. The heaviest pressures of course are on the thing of greatest scarcity—nylon stockings, cigarettes when we had a cigarette shortage, and all that type of thing. But in the aggregate of our whole economy the black market is not, in my opinion, so important, as the Senator said a moment ago. I personally have no experience of black markets. I get along. We have enough to eat and we buy our food at our little grocery store out in Chevy Chase. I might not be able to buy porterhouse steak.

Senator TAFT. You cannot buy butter.

Mr. SMALL. We get some butter, but not much.

Senator MILLIKIN. We have been told, Mr. Small, that there has been a heavy black market in meat that goes into the workingman's food. It seems to me that at those places where we have had a stabilized line we had no trouble. That has merely reflected the consumers' opinion that the line represents a fair price and he will not pay any more. But wherever there has been real pressure against the line I think the line has broken. Basically that raises the question as to whether we have a line of any importance. What is the remedy? How can we actually establish and hold the line?

Mr. SMALL. Well, to say that the line has broken where the pressures have been exerted against it is compelling, but it has not occurred in all cases. There are many cases where the line is holding even against very heavy pressure; and I think that we must, regardless of the fact

that we are not doing this job anywhere near a hundred-percent right, continue to do our best to do it, regardless of how good or bad that job is. But let us keep this boat from rocking.

Senator MILLIKIN. If we want to actually and realistically control the line we must have realistic relationship to the problem.

Mr. SMALL. I have said for a year, now, that we have got to get production; and the only way we can get it is to be realistic.

Senator MILLIKIN. If people insist upon getting meat and will pay 15 cents a pound more for it, and thus exert a pressure that in fact raises the line on meat 15 cents, does not realistic policy require that there be some adjustment of the line to that popular demand?

Mr. SMALL. If at the present ceiling prices we were unable to get meat, that is, the workingman was unable to get it, then I would certainly say that probably that was the thing to do. But meat has not disappeared from the market completely. You can still get meat.

Senator TAFT. But at something like 25 percent over ceiling prices. That is according to evidence presented here.

Mr. SMALL. I do not pay 25 percent over ceiling price.

Senator TAFT. How do you know? It is almost impossible to tell. It is a very highly technical thing. I do not think that anybody that buys meat can possibly tell whether he is paying the ceiling price or not.

Mr. SMALL. What I mean is that we buy from a grocery store, a member of the District Stores, I think it is. They have ceiling prices posted, and that is all we pay.

Senator TAFT. It all depends on so many things whether that is all you pay or not.

Mr. SMALL. That may well be.

Senator TAFT. At least, that was explained here by people who made a survey of stores, perfectly legitimate stores, and compared with the actual ceiling prices, the prices ran up to 25 percent over, and these people thought they were selling perfectly properly. I think that Mr. Bowles has held prices more than he has held costs, and consequently we have an unnaturally low-price level. I do not know how much, but to some extent.

Take the question of petroleum. It seems to me that Mr. Bowles' prediction is that the price of gasoline would go up 1 or 2 cents, because that is the price that demand and supply would make, because it is held artificially low. He has done that with a lot of things; and what bothers me is that sooner or later you are going to have to recognize that situation. It seems to me that you ought to recognize it now, and if you do not, you get it so out of line with demand and supply that the thing breaks down. I always said in World War I that in peacetime you never could enforce price control on the American people, any more than you can enforce prohibition. I do not agree that we have to refuse all amendments that might tend a little bit to correct what I think is a fundamental maladjustment in the price-fixing policy of the Price Administration.

Mr. SMALL. Senator, you are right at the heart of the thing, I think. I have to administer the Second War Powers Act, and the situation is just as fluid as quicksilver. We have to adjust ourselves day by day to the situation we find. In the exercise of those powers we have said to the Congress repeatedly that we are going to use these powers just as sparingly as we can. We are going to try to lift controls as

rapidly as we safely can; that we will not be high-pressured into using them; but if we were boxed in by routine rules saying that you have got to do this or that, I would be so handcuffed that I would not know what to do. In other words, I do not know how to write into the law good judgment, successful, realistic good judgment in administration.

Senator TAFT. All that I really advocate in amendments to this law are amendments that I think carry out exactly the original purpose of the law as I thought we wrote it. I agree that the provisions were pretty general and not detailed. I personally do not want to go any further in the matter of the decontrol of a certain amount of commodities than to try to clarify the principles that I think Congress had in mind when it wrote the price-control law, and not impose on Mr. Bowles any different principles than I think should have controlled throughout.

Mr. SMALL. I think I agree with you there. If you can write principles into the law, fine. But if you write rigidity and a mathematical formula into the law I think you wreck it.

Senator RADCLIFFE. Often the suggestion is made of an analogy between the present black market and the prohibition law. Is there not an inherent difference in not being able to buy an article at all and the opportunity to buy it under certain conditions?

Mr. SMALL. Of course.

Senator RADCLIFFE. Under prohibition you could not get the article at all. It was not the price; it was the fact that you could not buy it at all.

Mr. SMALL. We had a black market, and a pretty big one, in your State, Senator, on women's fabrics, because the demand was so far greater than the supply. So a black market sprang up. People would get hold of cloth and, instead of making it into garments, would sell it. It was pretty hard to catch them. I am told as of last week that now the fabrics are backing up on them, and you are going to find your black market disappearing overnight on that stuff. Nobody is going to a black market if he can go to a mill and get what he wants. Production is the only answer to this thing. We have got to get it.

I cannot give you any estimate on over-all price rises—they might go up 25, 50, 100 percent or more. I can't pick an exact percentage, but I can tell you that the price increases most definitely would not be insignificant and that production would not go up anywhere near as fast as prices.

The dog-eat-dog laws of supply and demand do not assure that we would get our first production in the areas where the greatest shortages and the greatest need exist. Opponents of price control have advanced the theory that in a free-for-all atmosphere price rises would automatically attract labor, materials, and facilities to the production of the things we need most. I do not believe that this is true. I believe that unless prices are controlled our first production would be concentrated on those items which yield the highest profits—the goods made for the people with the fattest pocketbooks. The makers of luxury items would be able to outbid all other manufacturers for materials, machinery, and labor. Basic necessities either would not be made, or they would have to be made for sale at luxury prices.

We have had that over and over again in the last 6 months.

We have recently had a good example of this tendency to concentrate on the higher-priced products. No one has denied that our

greatest need in the construction field has been for inexpensive houses, yet when unrestricted residential construction was resumed last fall it was concentrated in the higher price ranges. Materials and labor were not being attracted to the construction which was needed most, cheap houses; they were being used to build for the people who could pay the highest prices. It was this situation which forced us to set up the veterans' housing program and take steps to channel construction into the area of greatest need. Because of our responsibility to the veterans, we had to step in and use Government regulations where the law of supply and demand had failed to bring up necessary production.

I have mentioned our responsibilities to veterans in connection with housing. While I am talking of responsibilities, I would like to mention an ethical reason why we must continue price controls. During the war we encouraged the public to save a large part of its earnings by buying war bonds. In so doing, we committed ourselves to protecting the value of the dollars invested. In effect, we promised that the postwar purchasing power of the dollar would bear some reasonable relationship to its wartime value—that the volume of goods people could buy later would be substantially equal to the volume of consumption they sacrificed for the war effort.

We forced millions of young men to leave their homes, giving up prewar rentals or selling their houses and automobiles at prewar prices. If it is within our power to avoid it, we should not now force these same young men to replace their homes, automobiles, clothing, and durable goods at tremendously inflated prices. Through the GI bill of rights and other legislation we have given the veterans certain benefits in recognition of their services to our country. We should not now cancel out a large part of these benefits by lowering the value of the dollars in which they are paid.

I mention this last point because as an individual I believe that the Congress and the administration have an obligation to keep faith with those who listened to the repeated official appeals for saving and sacrifices during the war. As an individual, I think we have a moral obligation to protect, by preventing inflation, the men whose lives we interrupted and who are now trying to make a new start as civilians.

Returning to cold and unemotional considerations, I want to point out that the effect of price inflation on the labor situation is of tremendous importance from the point of view of production. I have said that in an uncontrolled price situation labor would be drawn away from the production of necessities and lured into the luxury field. Much more important is the dislocation of wage-price relationships which would inevitably follow the relaxation of price controls. The labor situation is precarious enough now. To upset the price structure would be to invite renewed demands for adjustment of wages. Labor could hardly do otherwise than to insist that wages follow prices. It would not be a smooth advance, but a leap-frogging process which would hurt production at every jump. Eventually, it would hurt all of us. Labor's wage increases have in many cases been won by strikes or threats of strikes. Production would certainly suffer even more than it has suffered in the last few months if we invited still more scrambles in the wage field, and even labor admits that when wages are chasing prices upward toward inflation labor itself always suffers most of all.

My responsibilities in the Civilian Production Administration have put me in a good position from which to observe this Nation's progress in reconversion. As a production man I firmly believe that price controls—measures strong enough to check inflation—are absolutely essential as a base on which to build our output of goods up to the level of long-term demand.

The CHAIRMAN. Are there any other questions? (No response.) You have made an admirable presentation. We all know that you know your business.

Mr. SMALL. Thank you very much.

Senator RADCLIFFE. Senator Tobey asked you if you had 500 copies of the statement that you could send him.

Mr. SMALL. We can make them; yes, sir.

Senator RADCLIFFE. If it is entirely convenient, I would like to have the same number, if I may. I would like to use them.

Senator MILLIKIN. May I ask one more question?

The CHAIRMAN. Yes.

Senator MILLIKIN. During the testimony of OPA officials I have repeatedly probed the possibility of making that agency a more dynamic agency in achieving more production. During the testimony it developed that they work in cooperation with your agency. When your agency indicates that some important item is in short supply and needs to be encouraged in the production of it by additional prices, they get word from you people and they get to work on it. Would you be good enough to tell us something about the actual nature of the liaison between you agency and the OPA, focusing on that particular problem?

Mr. SMALL. Wherever we have a production bottleneck, where, in the opinion of our people—and I may say that our people are mostly people from industry who are down here just for the short term and who all want to go home; they are drawn from industry, for the most part, and they are practical businessmen—where they feel from their knowledge of the industry that price is really a detriment, we check up with OPA and ask them to check into it to see if the hindrance cannot be removed. That is particularly true in building materials.

Senator MILLIKIN. Do they wait under that procedure until the axle squeaks enough so that somebody comes in and makes a protest and requests a higher price, or upon your recommendation that this commodity is a short supply item and that you must have more production of it and that price seems to be the answer, do they at once get busy and attempt to encourage the production by an increase in price?

Mr. SMALL. Well, to be entirely candid, they have shown substantial improvement over the last several months.

Senator MILLIKIN. Do you not think that there is a great deal of room for improvement there, and that we could increase production enormously if there were a closer liaison between your agency and OPA, and if OPA took aggressive steps to give price relief where it is needed, instead of waiting until somebody complains and then delaying 6 months gathering statistics and writing decisions?

Mr. SMALL. I repeat what I have said 50 times before, that the administration of this thing has got to be realistic, sensible, and fast. The liaison is pretty close, because we are charged with the responsibility for production, and we cannot have production without all

three things being carried together. Therefore we go in with both fists swinging where we suggest that OPA is not diligent.

Senator BUCK. I suggest that you might lend some of your practical businessmen to OPA.

Senator TAFT. Mr. Small, you have a good lumberman in your agency.

Mr. SMALL. I think he is very well regarded.

Senator TAFT. OPA has just put in as price executive a man who has never been in the industry at all and does not know anything about it. That is what I am told.

Senator BUCK. We had a man here the other day from the agency, fixing prices on textiles, and he admitted that he came out of a stock broker's office. I could not see any connection, but they thought he was all right for the job.

Mr. SMALL. At least let us be fair enough to realize that it is a tough racket trying to get anybody to come in from industry.

Senator BUCK. You have them.

Mr. SMALL. Even we are having a pretty tough time on it.

Senator TAFT. To keep them?

Mr. SMALL. Yes.

The CHAIRMAN. I think it is fair to say that some witnesses criticised your agency, too, because they did not get what they wanted.

Mr. SMALL. We are not a hundred percent, by any manner of means.

Senator TAFT. It seems to me that the OPA has got us into an awful jam by holding prices below the low costs. If we let them go on and do that, then when they are released, and they are going to be released within 12 months, you have the business of prices adjusting themselves to demand and supply. I may be wrong in my analysis but we will have a demand for more wages, and there will be a spiral going on at any time we take off price control. I have the feeling that we ought to force a gradual adjustment of the price level to a point where the controls can be taken off and stay where they are put.

The CHAIRMAN. How can we do that by legislation?

Senator TAFT. We can do it by forcing a little more reasonable policy on OPA.

The CHAIRMAN. Do you find any criticism of the ceiling prices of OPA?

Mr. SMALL. Do I find any criticism?

The CHAIRMAN. Yes.

Mr. SMALL. Oh, I criticise them every day, in strong words, with specifications; not in generalities.

The CHAIRMAN. That prices ought to be higher?

Mr. SMALL. In some cases, Senator.

Senator TAFT. Mr. Bowles' own testimony was that wages had gone up 62 percent and prices only 32 percent, and he was trying to show that that should be maintained. But I do not think he can make out that kind of a case. I think that on his figures the analysis I make is correct.

Senator MILLIKIN. Do you think it would improve the operation of the thing if your agency were merged with OPA?

Mr. SMALL. I think when we look back on the history of the war we will realize that the two agencies should never have been apart.

They should be parts of one agency. You cannot run production with two wheels of the tricycle in other hands. I think it is too late now. This thing is of such short term that it is too late to do anything about it.

Senator MILLIKIN. If we should conclude that it was not a short-term matter, should we then very seriously consider whether to merge the two?

Mr. SMALL. If you reach that conclusion, which I hope you will not—

Senator MILLIKIN. All the testimony so far indicates that we will never get out, because as long as there is a shortage there will be an OPA.

Senator CAPEHART. I urged 6 months ago, if you will remember, that the two should be merged. I think your analysis is correct, that they should have been one and the same all during the war. The relationship between production and control is very close.

The CHAIRMAN. Are there any other questions? (No response.) We are delighted to have had you here, Mr. Small.

Senator Taylor is going to preside at the meeting this afternoon. We will take a recess now until 2 o'clock.

(Whereupon, at 12:30 p. m., a recess was taken until 2 p. m. of the same day.)

AFTERNOON SESSION

(The committee reconvened at 2 p. m., upon the expiration of the recess, Senator Glen H. Taylor, presiding.)

Senator TAYLOR. The committee will come to order.

Our first witness is Mr. W. S. Dorset, representing the Institute of Shortening Manufacturers. Mr. Dorset.

STATEMENT OF W. S. DORSET, PRESIDENT, INSTITUTE OF SHORTENING MANUFACTURERS, SHERMAN, TEX.

Mr. DORSET. My name is W. S. Dorset. I live in Sherman, Tex.

Mr. Chairman, I appear here today in behalf of the Institute of Shortening Manufacturers, a group of 26 companies which represents approximately 90 percent of the volume done by the firms in the country engaged in the processing of vegetable oils and the manufacture of vegetable shortening, salad and cooking oils. I am also vice president of the Interstate Cotton Oil Refining Co. of Sherman, Tex., a concern which has been in the vegetable oil business for the past 33 years.

We wish to lay before this committee a glaring price inequity which has been forced upon the vegetable shortening and oil industry, through the refusal of the Office of Price Administration to permit us to sell our products at prices established for our industry in March 1942, under the general maximum price regulations.

The Institute and I personally have been battling for more than 2½ years to secure the relief to which we feel we are legally entitled. OPA admits the inequity, as I will show later, but also says they have no "power" to do anything about it. OPA endeavors to put us in the position of petitioning to correct an error which they themselves created, and denies us the right to operate under general maximum prices, permitted to every other segment of the food industry, simply because of a series of events over which we had no control, and

because of OPA's implacable interpretation of the will and intent of the law.

The story is a fairly simple one—the difficulties have been made by the Office of Price Administration:

In April 1942, the Office of Price Administration imposed ceilings on standard and hydrogenated shortenings, salad and cooking oils and on refined oils in tank cars. These ceilings were established on the basis of the highest price charged during March 1942, without any regard, according to OPA, to profits we were then making.

At the same time, the wholesale and distributive channels for our industry were also frozen at their March 1942 prices, but unfortunately many wholesalers and retailers had based their selling prices on cost rather than replacement, and as a result found they were unable to continue to handle our products profitably, if they were required to pay the ceiling prices established for our industry.

In order to relieve this squeeze and to maintain distribution of our products, we were forced to sell them below ceiling prices; that is, below the prices to which we were entitled by the General Maximum Price Regulation.

Fortunately, at this time our principal raw material, crude vegetable oil, was in ample supply and we were able to buy at approximately one-half cent below the established ceiling price for the raw products. This condition enabled us to sell our products to the wholesale and retail trade and maintain our normal margins.

Senator TAYLOR. Mr. Dorset, what do you mean by a half cent below ceiling—for what amount?

Mr. DORSET. The ceiling price on crude cotton and crude soybean, peanut and corn oils is based on tank-car quantities.

Senator TAYLOR. A half cent cheaper for how much would that be—a gallon, or what?

Mr. DORSET. Per pound. It is sold on a per pound basis and the ceiling is based on a per pound basis.

In the fall of 1942, the Commodity Credit Corporation became alarmed over this depressive price situation, which had its effect upon the grower of the vegetable seeds and beans to whom they had guaranteed a minimum price, and approached our industry to enter into a contract under which the industry agreed to pay ceiling prices for the crude vegetable oils, at which price CCC would purchase these oils, and later resell them to the industry at a price one-half cent under the ceiling price.

The contract with Commodity Credit Corporation was for the crop year 1942-43, and the industry had no thought but that the contract would be renewed along the same lines for succeeding years.

Because this contract, in effect, reduced the cost of the crude vegetable oils, the Office of Price Administration on September 25, 1942, issued three orders, which rolled back the processors' ceiling price on finished products an average of one-half cent per pound from the March 1942 level. These three orders were issued as amendments No. 7, No. 8, and No. 9 to Revised Price Schedule No. 53—Fats and Oils.

The following quotations from the Office of Price Administration's statement of considerations which accompanied these amendments show clearly that the action taken was predicated on the subsidy of one-half cent per pound on crude vegetable oils, provided for by the

Commodity Credit Corporation—and would not have been taken if the subsidy had not existed.

In amendment No. 7 covering refined soybean oil and similar amendments covering peanut and corn oils, the Office of Price Administration said [reading]:

This squeezes the normal margin of the processor of winterized soybean oil by one-half cent per pound, but this reduction in his margin is to be offset by purchases by the processor from the Commodity Credit Corporation at prices one-half cent per pound below the ceiling prices established in this schedule on crude oil.

Amendment No. 8, issued at the same time, on cottonseed oil in tank cars contains this statement [reading]:

The present amendment to Revised Price Schedule No. 53 reduces by one-half cent per pound the maximum prices on the following grades of cottonseed oil; cooking or deodorized white (bleached summer oil) salad or winterized oil, hydrogenated or margarine oil, and high titre hydrogenated oil.

And similarly in amendment No. 9, which rolled back shortening and salad oil prices an average of one half-cent per pound, the Office of Price Administration again acknowledged the necessity of the CCC subsidy. I quote:

The present amendment to Revised Price Schedule No. 53 reduces the maximum price at which processors can sell hydrogenated and standard shortening and salad and cooking oils.

And again:

This reduction in the processors' margin is to be offset by purchase of crude oil by the processors from the CCC at prices one-half cent below the ceiling prices established on these oils by the Office of Price Administration.

At no time was there any implication that our general maximum prices should not stand at the March 1942 levels. The roll-back was not made by OPA because our maximum prices were too high, but was to make sure that our industry did not profit because of the CCC subsidy.

I am emphasizing this point because a restoration of our general maximum prices is all that we have ever asked—at any time.

Such restoration was made necessary in the following year when the Commodity Credit Corporation did not renew the contract for the one-half-cent subsidy to the industry for the 1943-44 crop. We were faced, then, with the withdrawal of the supporting subsidy by Commodity Credit Corporation—with the price roll-back by the Office of Price Administration still in effect.

By that time, several important stabilization actions had taken place: The President's hold-the-line policy had been announced as of April 8, 1943, and the Office of Price Administration had established and defended certain seemingly unassailable criteria for judging what prices an industry might maintain.

When the CCC subsidy was withdrawn we appealed immediately to OPA for a restoration of our general maximum price level, and were told that a cost study would have to be made to determine (1) if we needed it, and (2) if it would be legally possible under the President's hold-the-line policy.

A cost study was made and it revealed, quite justly, that the industry was not losing money on its vegetable-oil operations; in fact, it was making a profit.

I might say right here, Mr. Chairman, that I am representing both the small and larger segments of our industry. Our complaint is not

on whatever relative profits might be made by larger companies in our industry on an over-all basis in relation to the smaller companies. It is my opinion, and I believe has been supported generally, that the vegetable oil operations of our larger companies, if taken separately, would not render to those companies any more, if as much, profit as that made by the smaller independent company which concentrates on a single type of production.

We have made profits, and we continue to make profits—but on a descending line from our 1936–39 OPA base. We have not appealed for hardship consideration, provided by OPA under certain conditions and only if a company is in the red. We are not asking for a price increase, but for a restoration of our prices, which were legally established under GMPR.

OPA proclaims loudly that it is not in business to limit profits—and yet every action it takes with respect to prices is with the profit consideration. The yardstick by which it determines prices hinges upon OPA's application of (1) "over-all industry earning test," and (2) its "secondary products standards test."

By the first, as I am sure you all know, a cost survey is made of an entire industry to determine what profit may be permissible to the industry in relation to a base-period average, and consequently what prices are necessary to maintain such profit. If the nature of an industry indicates, because of diversified production, that an over-all consideration would not render a fair price—the secondary products standards test may be applied, which considers prices by products within an industry. On either of these tests the vegetable oil industry would show varying degrees of profit.

Having established the fact that the industry was not in a loss position, OPA further backed up its position by stating that the hold-the-line policy would not permit it to increase our prices—bringing in both its own interpretations and legality under Presidential order.

At this moment, we have no issue with either OPA's pricing standards or the hold-the-line policy—we maintain that restoration of our general maximum prices does not involve consideration of either of these principles.

There may come a time when we will need to request price increases for certain products in our industry—and when that time comes, we know the proper forms and the proper channels to use.

It is only natural that from what I have said to you gentlemen you are wondering how a company without a tremendously large surplus to draw from has been able to remain in business under the price pressure we had to contend with over the past 2½ years since the withdrawal of the subsidy. I will explain that.

During each of the war years the entire industry has been called upon to produce shortening and oil not only for their usual customers, but also for many others. In fact, during the past several years less than one-half of my own company's production has gone to the customers with whom we had in the past built our business, the balance having gone to the Army, Navy, lend-lease, and other ex-quota demands. This large increase in tonnage of vegetable oils, refined and processed, enabled us to reduce our unit costs and operate without showing a loss.

Since the cessation of hostilities, this ex-quota volume has declined substantially, and our civilian production is still drastically limited

by the Department of Agriculture, due to the acute world shortage of all fats and oils. We cannot now maintain the low unit cost we did during the war years, nor our normal profits.

So far as I am able to discover, the vegetable-oil industry is the only segment of the food industry which has not been permitted to return to or maintain its prices established under general maximum price regulations. The question of price, balanced out by subsidy, has been an admitted policy by the Office of Price Administration. In its application of the Barkley-Bates amendment for the meat-packing industry, decision by the Office of Economic Stabilization and the Office of Price Administration granted price plus subsidy as permissible in determining fair and equitable prices.

The CCC has subsidized and is still subsidizing other food products. Most of these subsidies are still in effect and others have been removed—but not in any case that we, or OPA for that matter, can determine, have subsidies been removed on food products—and the resulting prices fall below the products general maximum price.

When the butter subsidy was recently removed, the Office of Price Administration permitted an increase in the ceiling price in an amount equal to the subsidy. The same thing applied when Cheddar cheese was removed in January of this year and peanut butter sometime last year. The subsidy was removed and they were given an equivalent amount, in the case of Cheddar cheese, but not quite so much in the case of butter, to offset the amount of the subsidy. The Office of Price Administration has also permitted price increases on many other products when subsidies were removed. The present ceilings on many of these products are higher than the prices established in March 1942, under the general maximum price regulation. So far as I can ascertain shortening and oil are the only food products which the Office of Price Administration is forcing to be sold at prices less than those established by GMPR, except those on which subsidies are still being paid.

Our industry has had many conferences with different officials of the Office of Price Administration, and at each of these conferences the full problem has been discussed, but nothing has been done to correct the situation. One top OPA official whom we saw on December 13, 1945, remarked to the effect that the industry had been “tricked” out of one-half cent per pound. Another OPA official admitted that if we had not entered into a contract with CCC the chances were 1,000 to 1 that we would be permitted to operate under the ceiling prices established under GMPR in March 1942, which was one-half cent higher than the price to which we were rolled back.

In recent hearings held for certain of our members before the Senate Small Business Committee on April 25, representatives of the Office of Price Administration continued to pull out of the hat their usual “legal” reason for being unable to adjust this inequity, but admitted that it was unusual and a “nasty” situation.

The only concession granted as a result of these hearings and subsequent conferences was an agreement by OPA to make another cost survey for our industry to determine if the roll-back prices were unfair and unequitable to any segment of our industry. They have repeatedly attempted to make us appeal for relief on a price-increase basis—under their established profits tests. I repeat we are not asking for price increases—we are demanding to operate currently under our

general maximum prices as set forth by the industry in March 1942—and under which prices all other segments of the food industry are permitted to operate.

We maintain that neither OPA profits test, nor the hold-the-line policy make any requirement which will prevent OPA from restoring to our industry its general maximum price level.

Senator TAYLOR. Your problem is a little different than any we have had in here before.

Mr. DORSET. It is, Mr. Chairman, and I have also attached to this a copy of the Senate Subcommittee's Report No. 9. I purposely have cut my statement short because I wanted to take some time to comment on that report.

This report, of course, was made after an investigation and a public hearing before the Senate Subcommittee on Small Business.

Senator MITCHELL. Mr. Chairman, I wonder if there is any OPA representative here who can tell us of any advance made in this consideration. When other than April 25 was the other statement made? You said on April 25 some of the OPA representatives said they were considering the problem.

Mr. DORSET. Yes; and they were present at the hearing which this pamphlet covers and the head of the division or the pricing executive, Mr. Phelps, was present.

Senator TAYLOR. Does OPA have anybody here who is familiar with this?

Mr. VAN VENE. I have sent for a man from our office. He hasn't come in as yet.

Mr. DORSET. May I continue, Mr. Chairman?

Senator TAYLOR. Yes.

Mr. DORSET. This is a report of the Complaints Subcommittee of the Senate Special Committee to Study Problems of American Small Business. It has been approved by Senator Tom Stewart and Senator Kenneth Wherry.

Senator MITCHELL. What are you reading from?

Mr. DORSET. From this pamphlet.

Senator MITCHELL. From the whole pamphlet?

Mr. DORSET. Just excerpts. I do want to read the opening from page 1. [Reading:]

Processors of shortening and vegetable oil products, in the opinion of the Complaints Subcommittee of the Senate Small Business Committee, have been subject to unfair and inequitable price controls since the fall of 1943.

This conclusion has been reached following a public hearing which was held before the subcommittee on April 25, 1946, and extensive negotiations which have been conducted by the subcommittee staff in an attempt to obtain relief for the industry. Finally, the conclusion has been reached that OPA has adopted an unrealistic and untenable position with respect to the clear inequities which this industry has been forced to suffer during the past 2½ years.

Consequently, the subcommittee has been forced to the inescapable conclusion that the Senate Small Business Committee should recommend to the appropriate committee of the Senate that legislation be considered not only to relieve the price inequity which the vegetable oil and shortening processors have been suffering, but also to require that OPA approach the problems of price adjustments and price increases in a realistic manner.

Mr. Chairman, I had not planned to read these next seven reasons, but since Senator Mitchell was out, may I take a few minutes to read this?

Senator TAYLOR. Yes.

Mr. DORSET. It is the entire approach to the case. [Continues reading:]

The facts which were developed in the hearing before the Complaints Subcommittee may be summarized briefly as follows:

1. In April 1942 OPA froze prices on standard and hydrogenated shortenings, salad and cooking oils, and on refined edible oils in tank cars at March 1942 levels under the general maximum price regulation.

2. In the fall of 1942 the Commodity Credit Corporation, in order to support the prices of crude vegetable oils and enable crushers to pay the minimum prices promised to the growers of vegetable seeds and beans, requested the various companies in the industry to enter into a contract with it under which the industry agreed to pay ceiling prices for crude vegetable oils, with the provision that CCC would purchase these oils at the same price from the refiners and later resell the oils to these same refiners at a price one-half cent under the ceiling prices. This contract was for the crop year 1942-43.

3. On September 25, 1942, the OPA rolled back the ceiling prices on refiners' finished products an average of one-half cent per pound from March 1942 levels because of the subsidy which the industry was enjoying on its acquisition of crude oils. In the statements of considerations issued in connection with these price roll-backs, OPA admitted that the subsidy was the reason for its action.

4. In the summer of 1943 CCC announced that the subsidy contract would not be renewed for the 1943-44 crop year, nor has it been renewed since that time.

5. Immediately following this announcement the industry appealed to OPA for a restoration of the prices established under GMPR. OPA refused this request on the ground that a price adjustment would "break" the recently (April 8, 1943) issued hold-the-line order.

6. At various times since its original appeal for a restoration of its GMPR prices, the industry has made similar appeals and has each time been turned down because it was in a financial position to absorb the increased cost of vegetable oil, its basic raw material.

7. At the present time the ability of the industry to continue absorbing the relatively high cost of vegetable oil has been seriously impaired because of the rapidly falling volume of raw materials available to it and because of the loss of large Government contracts which it enjoyed during the war. Furthermore, this falling volume has resulted in sharply increased manufacturing costs.

From the foregoing summary, it is clear that OPA and CCC were cooperating and acting in conjunction with one another when the subsidy was established, but that for reasons which the subcommittee cannot accept as compelling, they failed to cooperate and act in conjunction with one another when the subsidy was removed. In the first instance they appear as two agencies cooperating in a single price-control program but in the second they appear to be separate agencies of Government, the one having no relationship or responsibilities in the acts of the other.

On the basis of the above facts, we find that the industry is placed in a position of having lost for the last 2½ years approximately one-half cent per pound on its product because it was willing to cooperate with CCC and OPA in meeting commitments to producers of crude oils. According to testimony of industry representatives, one former OPA official went so far as to admit that the industry was "tricked" out of one-half cent per pound on its product.

While the subcommittee is disinclined to believe that the developments in connection with the subsidy and its later removal were maliciously and forehandedly considered it must recognize the fact that OPA has done nothing to correct a situation which is unfair and inequitable. It has permitted this industry to suffer for a long period of time from a situation which it could legally and easily have corrected on any one of many difference occasions. OPA representatives appearing before the Complaints Subcommittee on this matter admitted (1) that if the subsidy had never been instituted the industry's prices would never have been rolled back below March 1942 levels and (2) that if the subsidy had been removed before the issuance of the hold-the-line order the GMPR prices would have been restored. During negotiations which have been conducted since the hearings, stabilization officials have admitted that if the subsidy were being removed today, instead of 2½ years ago, the GMPR level of prices would in all probability be restored.

Consequently, we find a situation in which an industry is penalized because of its cooperation during wartime with the price control program by accepting a subsidy which it did not seek and in which the agency having the power to grant relief refused to take the appropriate steps. The subcommittee believes that

both OPA and Stabilization officials would prefer granting relief to not granting it. However, it is also forced to conclude that OPA officials through administrative negligence or nescience are of the opinion that restoration of GMPR prices would be an admission that the agency has permitted the vegetable oil and shortening industry to suffer unfair and inequitable prices for 3 years. The agency is unwilling to admit this—and particularly at the present time when a bill to extend its existence is being considered by the Congress.

OPA's arguments that it cannot grant this industry relief are not valid in the opinion of the subcommittee. First, the subcommittee does not believe that this case should be judged on the basis of existing price-adjustment standards. Second it is the subcommittee's opinion that the hold-the-line order does not prevent the granting of relief to this industry, and third, that even existing price standards which the agency feels it must follow do not prevent such adjustments. Finally, the subcommittee contends that the price adjustment is required in order that OPA may reestablish for this industry prices which are fair and equitable. The report will deal with each of these contentions in order.

1. This is clearly a case in which the industry, and particularly the smaller producers in the industry, are suffering low prices through no fault of their own. The existence of these low prices must be attributed to the price-control agencies—in this case OPA and CCC.

OPA officials argue that the agency's standards for granting price increases are not brought into use until such time as a company or industry makes a complaint against existing prices or requests a price boost. This must be accepted as a fair statement of existing OPA policy.

But the important point to note in this case is that the industry is not seeking a price increase. It is merely asking for a price adjustment. It is seeking the restoration of its GMPR prices which the subcommittee believes it should have.

It does not follow from OPA's argument as to the inadequacy of its existing standards that the agency cannot through administrative means establish a new procedure to provide relief in this case and any similar ones which may arise. The subcommittee is of the opinion that such a procedure should be established to provide relief to industries which are forced to low price levels by either commission or omission of agencies concerned with the price-control problem. The committee is of the opinion that the omission was really the result of a mechanical defect within OPA, namely the failure to consider subsidies as an integral part of price.

In this case, the subcommittee believes, OPA is placing an onerous burden on an industry—and again particularly on the smaller producers in the industry by attempting to force them to seek a price adjustment only in accordance with the existing rules.

2. The stabilization order, issued April 8, 1943, was designed to prevent "further increases in ceiling prices except to the minimum extent required by law." The subcommittee contends that the "ceiling price" on shortening and vegetable oils as of April 8, 1943, was composed of two parts: (1) the actual market price which was paid by the consumers when the product was purchased, and (2) the subsidy which was also paid by the consumers in the form of taxes, and that because of this, OPA is not prevented by the hold-the-line order from returning the industry to its March 1942 price levels.

This position is strongly, though unwillingly, supported by OPA General Counsel Richard Field. Testifying before the Senate Small Business Committee on the administration of the Barkley-Bates amendment to the Price Control Act which provides for a fair margin of profit to processors of various types of livestock, in reply to a question asked by Senator Wherry, Mr. Field answered:

"Well, at all times, Senator, since the meat-subsidy program went into effect, subsidies that have been paid have been considered as a part of the price for determining the fairness and equity of the price."

Following the hearing on the vegetable oil and shortening price case before the complaints subcommittee the problem was again discussed with Mr. Field. At this time, he attempted to distinguish between the term "ceiling price" as used in the Barkley-Bates amendment and the term "ceiling price" as used in the hold-the-line order.

The general counsel argues that the hold-the-line order refers only to the consumer price which is paid upon acquisition of a commodity because in this instance the reference is to the cost of living. The identical term as used in the Barkley-Bates amendment, he contends, includes subsidy because it is with reference to returns to an industry.

The subcommittee is of the opinion that this position is both unsound and untenable for OPA. It places the agency in the position of blowing hot and cold, and is certainly not in line with sound administrative policy. Furthermore,

the subcommittee would like to take this opportunity of calling to Mr. Field's attention the fact that in both instances the term "ceiling price" is used, and that to its knowledge there have never been two ceiling prices for one commodity at the same time being sold by one seller to a single class of purchasers. Furthermore, note should be taken of the fact that "ceiling prices" are identical for a manufacturing seller and his customer. If a transaction takes place between them at a ceiling price the manufacturer receives the identical sum which his customer pays. Therefore, it borders on absurdity to attempt to distinguish between the "ceiling price" of a business firm and the "ceiling price" paid by a consumer for at each level in the production and distribution system the seller's ceiling is identical with the ceiling his customer may expect legally to pay. This is true down to the individual and it is at this level that the cost of living is determined.

To further strengthen our point in connection with the term "price" we can turn to the definition contained in the Price Control Act itself. The statute defines the term as "the consideration demanded or received in connection with the sale of a commodity." Clearly, prior to the abolition of the CCC payments, the industry was receiving as the price for its product the revenue realized through sales plus the subsidies it was receiving from the Government.

At that time, the industry demanded as well as received this ceiling price. Since the elimination of the subsidy the industry has consistently demanded the same ceiling price but unfortunately has just as consistently failed to receive it.

The subcommittee contends that the cost of living would not be increased over April 1943 levels by granting this industry its March 1942 GMPR price levels for two reasons: (1) On the specific commodities in question, because the consumers of fats and oils were paying the March 1942 level of ceiling prices when the hold-the-line order was issued in the form of price plus taxes for subsidy and (2) the general level of food prices has been below April 8, 1943, levels since that time and is even now below that level. Thus it is clearly established that OPA is not prevented by the hold-the-line order from restoring the industry's March 1942 level of prices, in the opinion of the subcommittee.

3. The agency's contention that it does not have a pricing standard under which it can restore the industry's GMPR prices begs the point at issue. OPA has been granted administrative authority by the Congress within prescribed limits. It is the Price Administrator's function to interpret and construe the intention of Congress in the statute in carrying out his administrative duties. This point is clearly admitted by the OPA officials who testified in this case. OPA's existing standards were established by previous OPA Administrators in executing this function. It is true that the existing general standards have been given tacit approval by Congress through its failure to change them when the act was being extended on previous occasions. However, this does not mean that the present Administrator is prohibited from establishing new standards for price adjustments and price increases. Congress has not limited this authority of the Administrator.

It is the opinion of the subcommittee that in dealing with the unjust and inequitable situation prevailing in this case the Administrator might well have exercised his discretion and established a new standard to deal with this and any similar unjust and inequitable situation which might arise. His failure to do so can only be classed as negligence or incompetence in the view of the subcommittee.

The Price Control Act itself requires that the Administrator "may by regulation or order establish such maximum price or prices as in his judgment will be generally fair and equitable and will effectuate the purpose of this Act."

The subcommittee views this wording in the statute as imposing an obligation on the Price Administrator to restore the shortening and vegetable oil product processors GMPR prices. It is inconceivable to the subcommittee that any competent Administrator could have failed to recognize the fairness and equity of such a restoration. Consequently, we are forced to the conclusion that the Price Control Act as applied to this industry has been maladministered and that the head of the agency has been negligent in failing to recognize his clear duty.

Furthermore, the subcommittee is forced to express its sincere regret that its hearing and subsequent negotiations with OPA officials failed to arouse in the

Administrator a realization and appreciation of the justice of the claims for restoration.

Consequently, there is no other course left open but to recommend that the Senate give immediate consideration to amending the price-control law so as to rectify this situation and prevent future similar instances of maladministration.

In this report, Mr. Chairman, the subcommittee went on to tell about the negotiations they had with OPA. That is time consuming and I will skip that if I may. [Reading.]:

Finally, OPA officials agreed that they would attempt to adjust the prices of the smaller segment of the industry by considering its financial position without relation to the position of the larger firms.

This was after negotiations for 4 or 5 days. During the time of the negotiations one of the members of the committee reported to a friend of his that OPA had assured him this matter was being studied and would be handled promptly. [Reading.]:

This procedure was to be followed in an attempt to bring about an adjustment on the basis of the industry earning standard. Briefly, this standard permits a price adjustment if an industry or an important segment of an industry can show that its current earnings are less than its average earnings during a base period, usually 1936-39.

At this point the subcommittee representative became convinced that both OPA and the Office of Economic Stabilization were convinced of the justice of the industry's claims but did not want to admit an injustice which had been in existence for 2½ years. Therefore, they recommended to the subcommittee and the industry that OPA be permitted to make the price adjustment on the industry earning standard using figures from the important smaller business segment, but applying the adjustment to the industry as a whole. In this manner, they suggested, OPA would be able to "save face" and at the same time grant the industry's request. With permission from both the subcommittee and the industry, the negotiations continued.

Next, it developed that OPA officials contemplated granting price relief only to the smaller companies in the industry, thus establishing a differential price, on shortening and edible oils. Such a differential price would be highly unsatisfactory to both the industry and to the subcommittee. Testimony had already revealed that individual price relief to individual companies would not be satisfactory because they would not be in position to demand higher prices than the rest of the industry and still preserve their competitive position for future operations after the current acute shortage is over, even though they might be able to charge such higher prices now. This same argument applies to the smaller business segment of the industry. As a matter of fact, OPA spokesmen admitted that a differential price would not be feasible during the testimony on the price problems. Even though this question was never finally settled, the negotiations continued.

Next came the question of information required to make the adjustment. It had been agreed by all parties concerned that the information should be kept to a minimum in order to speed the decision, and should be required of only a small number of companies.

However, when it came to determining what would be required, OPA asked for detailed profit-and-loss statements for the years 1936-39, the year 1945, and the most recent operating quarter, together with production-volume figures for the same periods. OPA proposed to request 15 to 20 companies to supply this information.

The industry countered this proposal by offering to supply from a small sample of companies (1) the ratio of earnings to sales for the same periods, (2) total tonnage of products processed during each period by quarters, (3) the allotment of vegetable oil in pounds under Food Distribution Order 29 for the current quarter, and (4) the quota provided under War Food Order 42 for the last two quarters of the current year, assuming present quota percentages prevail.

The subcommittee does not understand OPA's reasons for wanting detailed profit-and-loss statements when the ratio of earnings to sales before taxes will serve the purpose just as well.

Furthermore, the subcommittee has had previous experience with OPA price adjustments based on profit-and-loss statements. In one instance OPA spent a month and one-half analyzing profit-and-loss statements from a small number of producers in the asphalt and tarred-roofing industry before determining what price adjustment should be made. Since a decision was wanted in the vegetable oil and shortening case within a matter of days and not weeks or months, the industry already having spent 2½ years negotiating, the subcommittee is forced to agree with the industry that OPA's request was burdensome, unreasonable, and excessive.

At this point negotiations broke down. Despite the closeness of the industry and the OPA on statistical requirements, an agreement could not be reached and the subcommittee must place the blame for this on OPA.

Consequently, in view of the facts recited above, the subcommittee recommends that the Senate consider amending the price control extension bill to include the following provisions:

"Where subsidies have previously been or presently are in effect, and have been withdrawn, or shall hereafter be withdrawn, the industries affected by such withdrawals shall be permitted an increase in their sales prices exactly equivalent to the amount of the withdrawn subsidy. Such price increase shall become effective either upon withdrawal of the subsidy or upon passage of the Act, whichever date is later."

For the purpose of this paragraph subsidies include subsidy payments and purchases and sales of a commodity at a loss for the purpose of subsidizing directly or indirectly the sale of commodities.

Furthermore, the subcommittee recommends that the Senate consider adopting other amendments which will require (1) prompt action by the agency on applications for price adjustment and (2) adoption of realistic and practical methods of dealing with price adjustments, including the gathering and analysis of data on which such adjustments are to be made.

Gentlemen, I am not asking for elimination of price controls. I am only asking that my industry and my company be relieved of the inequities that have been forced on us for over 2½ years. During those 2½ years we have been negotiating with OPA time and time again and I am convinced that the only way we can get that relief is through an act of Congress.

Senator TAYLOR. Are there any questions of the witness?

(There was no response.)

Senator TAYLOR. Well, thank you, Mr. Dorset.

Senator CAPEHART. I quite agree with your statement.

Mr. DORSET. I hope, Senator Capehart, that you will have a chance to read the report.

Senator CAPEHART. I am on the Small Business Committee.

Mr. DORSET. I know that.

Senator CAPEHART. I have been wrestling with that kind of problem for a long time.

Mr. DORSET. Thank you all very much.

Senator TAYLOR. Thank you.

Arthur D. Koppel, vice chairman of the Metropolitan Fair Rent Committee. Is Mr. Koppel here?

Mr. KOPPEL. Yes, sir.

Senator TAYLOR. You may proceed, Mr. Koppel.

STATEMENT OF ARTHUR D. KOPPEL, VICE CHAIRMAN, METROPOLITAN FAIR RENT COMMITTEE, NEW YORK CITY

Mr. KOPPEL. My name is Arthur D. Koppel and I am vice chairman of the Metropolitan Fair Rent Committee of New York, the latter

being the voluntary property owners' organization in our area seeking to have rent control made fair and equitable.

Before proceeding with my appeal to you, I wish to thank your chairman and the members of the committee for having accorded me the privilege of appearing here today.

Approximately one-seventh of all the housing units under rent control in the United States are located in our area and the situation confronting the owners well warrants your attention in considering the over-all national rent control picture.

Our committee and the great mass of responsible property owners in New York have endorsed the principle of rent control in times of a housing shortage. As a matter of fact, the owners in New York went much further. The rent level in New York as proven by OPA's own surveys of thousands of housing units was held down to a level below that of 1939 prior to the date that rent control was instituted in that area by OPA in November 1943. Since then the rent level has declined another two-tenths of a percent.

As a matter of interest, we would point out that the percentage of vacancies in New York in 1939 was only 6.8 percent and through 1943 had been reduced to 5.3 percent. In December 1944 the vacancies were only six-tenths of 1 percent. All these figures are those arrived at by OPA in its extensive surveys of New York operations.

It must be evident that with the tremendous increase in the cost of every item of operation of multifamily dwellings, with the exception of public utility rates, that there just cannot be any real improvement in the income position of the property owners over their position in 1939. The only thing that has saved those who were able to get by has been the fact that due to war conditions and the inability of the owners to obtain labor and materials to do the customary maintenance work and make the customary replacements, the usual sums spent for these purposes were not spent. However, deferred maintenance and replacements cannot remain deferred indefinitely and a huge bill to take care of these items faces practically every owner of a multifamily dwelling.

Despite as full occupancy as can possibly be obtained and despite the forced deferment of the maintenance work and replacements, the unweighted results of the OPA surveys of operations of rental dwellings in New York indicates that the owners generally through 1944, the last year surveyed, had net operating income of only 2.3 percent better than that received in 1939. Actually, after adjusting the OPA surveys in the different rental ranges in accordance with the determination made by the Federal 1940 Census of Housing and allowing for a reserve for deferred maintenance, the net operating income of the housing property owners in New York was almost 10 percent less in 1944 than it was in 1939.

It is evident that the Administrator's broad statements as to the improved position of landlords generally, due to better earnings than in 1939, do not apply to the city of New York. No wonder the Administrator on the charts he presents to Congress so carefully omits this city from the list of 36 cities the charts represent. The reduction in earnings so evident in the New York picture may well have occurred in other areas but the Administrator does not give you the opportunity to check this condition as each year he seems to present to you charts based on OPA surveys of different cities from those he has shown you previously.

The most important question of all to be considered in connection with rent control is whether rental properties are earning a reasonable return on their fair value. It is impossible for us to talk factually about the situation of owners in various areas of the country on the basis of Government figures, with respect to their ability to earn a reasonable return, as to the best of our knowledge, New York is the only area where OPA surveys have been taken to determine this question. Here OPA has identified approximately 1,600 apartment houses containing over 50,000 units which they surveyed for the results of operation for the year 1944. This identification gave us the opportunity to make investigations and obtain the figures showing the assessed value of the properties, the original investment cost of the properties, the 1944 investment cost of the properties, the present appraised value of the properties and the sales prices of the properties on a general average basis.

Calculations based on these OPA surveys and unweighted show that on practically any of the foregoing basis of valuation the return to the owner after depreciation but before interest is approximately 4 percent. Deducting a deferred-maintenance reserve of 3 percent of the net actual rental income would reduce the return to the owner to approximately 3½ percent. That is on a free and clear basis. Now, certainly no one can consider a 3½ percent return on fair value of the property as a reasonable return. The minimum annual return an owner should be entitled to after all charges, we hold is 6 percent. Therefore, we find that at present the properties in New York on calculations based on OPA's own unweighted surveys must earn 2½ percent more on their fair value to earn 6 percent or a reasonable amount. As each half percent of earnings on fair value is equivalent to 3 percent of the actual rental income, it would require a 15 percent increase in the actual rental income to enable an owner to earn a reasonable return. This, in the city of New York at least, mathematically shows that a general 15 percent increase is required in the rent level if owners are to earn a reasonable return on fair value. That, we hold, is 6 percent.

Your attention is also called to the figures of the Bureau of Labor Statistics of the United States Department of Labor which have been charted by Roy Wenzlick of St. Louis and show that the national average of residential rents is today 15 points under the average of such rents for the 18 prewar years of 1921 to 1938 inclusive. As against this, the admitted cost of living is 18 points above the average of the 18 prewar years. The housing industry is seeking a national general rent adjustment to bring rents up to the average of the 18 prewar years which, incidentally, cover the period of prosperity of the 1920's and the period of the depression of the 1930's, or a full cycle.

Surely, no fair-minded person can call an increase of rents which would bring them up to the average of the 18 prewar years in any measure inflationary. If anything, to keep them where they are would be the antithesis of inflation and, further, instead of permitting reasonable prosperity, would mean depression.

The question has been asked as to why the increase should be given to all property owners instead of being limited solely to those who required it in order to earn a reasonable return. The answer to that was twofold. First, we have absolutely no confidence in the integrity of OPA in administering individual adjustments. Experience has

shown that the number of adjustments made by OPA under the congressional amendments covering "peculiar circumstances" and "hardship" have been negligible. OPA by its conduct has successfully vitiated the relief intended by the Congress in the extensions of the act in 1944 and 1945. Second, the industry did not select the freeze-date rent-control method under which rents were frozen regardless as to whether or not property owners were able to earn a living. As a result of this method of rent control, by far the greater number of property owners have had their rents frozen at a level which has not permitted them to earn a reasonable return and as a matter of fact, in many cases, any return at all. The infinitesimal proportion of property owners who are at present earning a reasonable return would not now warrant denying relief to the great majority by a general rent adjustment because the former would also benefit. Congress selected the over-all method of controlling rents and relief should be given on the same basis.

We, therefore, urge that the Senate in extending the Emergency Price Control Act should add a provision calling for a general 15-percent increase in the rent level throughout the country. To legislate, as has already been done by the House of Representatives, that the Administrator of OPA must permit prices that will allow manufacturers, processors, and retailers to recover their costs plus a reasonable return and not provide for a modest upward adjustment in the frozen depression rent level, is manifestly unfair. The property owners of the Nation look to the Senate to correct the oversight of the House in not covering this point.

The Deputy Administrator in charge of rent, Ivan D. Carson, in his answer to the House Banking and Currency Committee with respect to an earlier request for a general 15-percent increase in the rent level, makes no defense against our showing that a 15-percent general increase is required to permit property owners to earn a reasonable return on the fair value of their properties, but states [reading]:

As long as the net operating income of landlords generally in a given area remains better than it was before the war, we do not feel justified, in accordance with the congressional mandate, to increase the general rent level in that area.

In other words, Mr. Carson says: We are not obligated to save the property owner if he is drowning in the same 20-foot depth that he was drowning in before the war, nor do we feel obligated to save him if we now find he is drowning in only 15 feet of water. Mr. Carson expresses the thought that this is in accordance with your mandate. The only answer your honorable committee can give is to recommend a general increase so that the property owner may actually be able to get his head above the water.

Despite the general relief we hold a flat 15-percent increase throughout the country will provide property owners, we are fully aware of the fact that there are individual cases where this increase would be inadequate to provide the relief intended. To give relief to such owners, we would request an amendment providing for individual adjustments should the 15 percent over-all increase be insufficient to provide a reasonable return to the owner after all proper charges including depreciation and deferred maintenance reserves. We see no reason why any property owner should be in the position of having the Government hold his individual rents down to a level which will not permit a

reasonable return. That is the basis of the amendment we are requesting for individual adjustments.

If the Congress does justice to the property owners by providing for the general increase we request, the Administrator's constant objections, that he cannot make individual adjustments because of the administrative difficulties in so doing, would not prevail. If it will be necessary to make so many individual adjustments, despite the 15-percent increase, that OPA could not function, then surely the position of the property owners must be even far worse than we have pictured it here to you today. We, therefore, hold that the Administrator should not object to the individual adjustment provision we request and we respectfully urge its adoption.

We believe our tenants are entitled to decent, well-maintained quarters and to the services they have been accustomed to receiving. We just as strongly believe that the owners of the rental housing accommodations of the United States who perform a real public service and who provide shelter, one of the three essentials of life, are entitled to a reasonable return for their time and investment.

Senator TAFT. Mr. Koppel, what is the position of a man building a new apartment house? Does he get a higher level of rents allowed than a comparable old apartment?

Mr. KOPPEL. The OPA official position on that is that they will make an adjustment in establishing rents on a new building in advance of construction, limiting such adjustments to 20 percent above prevailing rents as frozen—that might be 1942 or 1943 rent level—in comparison to the costs prevailing in the construction industry today, a 20-percent increase in rent makes it absolutely impossible for any owner to proceed with the construction of a multiple-family dwelling on that basis.

OPA has in our area, and I believe deliberately, faked us on that 20-percent adjustment provision in authorizing certain rents for a mere handful of buildings that are now proceeding of the multiple-family type. The rent levels established in those buildings are actually about 50 percent over the frozen rent levels of comparable apartments in the same neighborhood. The OPA doesn't dare come down here and say there isn't a single apartment being built in New York. They don't dare do that.

Senator CAPEHART. Is that a fact?

Mr. KOPPEL. That there isn't a single one?

Senator CAPEHART. Yes.

Mr. KOPPEL. No, sir; there are just a few, and I will tell you how they do it.

What they do is to take the basic rent on a comparable accommodation and they add 20 percent. Then on top of that they say, "This is a streamlined kitchen; so we will give you a 5-percent increase on that."

This one has an electric-light switch over here. This one has a different method of heating. So they add a little more for that. When they get it all figured out, they have built up an increase in the buildings I am referring to to approximately 50 percent.

But what I am saying, that is not their general policy. They have just done that in order to bring in a few examples and to put us in a position where we could not come down here and claim that there is no new building under OPA.

Senator TAFT. In the present condition is there much hope of getting any large building of apartment houses?

Mr. KOPPEL. Senator, not unless OPA deceives itself and deceives the public by granting an increase much above the 20 percent they have been talking about.

Senator TAFT. You think it would take 50 percent, do you, to stimulate the general construction of apartment houses?

Mr. KOPPEL. I think so, at today's construction cost levels. What they may be in the future, we don't know. We hear of something going up every day.

Senator TAFT. Then, in that case, new apartment houses will be all charging 50 percent more than old ones?

Mr. KOPPEL. If you expect to get them produced, I believe that is a fair statement.

Personally, I believe that this tendency on the part of both business and Government to sidestep the question of making the rent control fair and equitable is based largely on a fear of unfavorable public reaction which I am convinced is far more imaginary than well-founded. I just do not believe that the people of America have so little sense of fair play that they would refuse to admit that the property owner is entitled to fair and equitable treatment and to a reasonable return, for his labor and investment, on the fair value of his property.

It must be admitted that there undoubtedly are certain groups who through ignorance or because of misinformation spread by OPA itself, or even through design, will shout to high heaven at the mere thought of any increase in rent no matter how modest it might be and no matter how serious an effect its denial might have upon the economy of the country.

It should be remembered that there are people who do not realize what the property owner is up against; that there are people who would like to see the housing industry taken over completely by the Government and there are people who would like to see our entire system of free enterprise destroyed. I have enough confidence, however, in the people of America to unequivocally state that the great majority are fair-minded people who do not want to see the economic destruction of our democracy and who would approve of a modest increase in rent if the facts were honestly presented to them.

This entire question of providing fair and equitable rent control and permitting reasonable rent increases to cover the increased and constantly increasing costs of operation has a much broader aspect than just that of its effect upon the owners of housing accommodations. In the first place, the comfort and happiness of the millions of tenants of rental housing is bound to be affected if conditions continue as they now are. Blood cannot be obtained from a stone and neither can property owners keep the tenants' quarters in first-class condition nor provide the tenants with the new equipment so greatly needed if they cannot obtain sufficient rent to provide the funds required to pay for such items.

In the second place, one of the greatest crying needs of this country is new rental housing. It would be unreasonable to assume that private capital can be induced to enter the rental housing field or that private builders would undertake the task of providing additional rental housing, if confronted with the fact that it is impossible for

the rental housing industry to obtain fair and equitable treatment from our Government. I would urge upon this honorable body the need for recognizing that the housing industry is entitled to earn a reasonable living if housing is to remain one of the functions of private industry.

We would go even further and suggest that as an inducement to the builders to erect new apartments in the large centers, that new multifamily housing units, whether created by new construction, major alteration or rehabilitation, be exempted from rent control. This, we believe, will prove to be the greatest encouragement that could be given the builders of the country to create new apartments.

The chairman of the board of the Metropolitan Life Insurance Co., as reported in the press of January 4, 1946, referring to the erection of multifamily houses, publicly stated [reading]:

The builder just can't do it, knowing that when he is finished he will be confined by the OPA—

and—

Something must be done whereby rent ceilings will be taken off all new construction.

The State of New York after World War I exempted new construction from the residential rent control it adopted at that time and the resulting wave of apartment construction was ample evidence of the wisdom of this step.

The exemption of newly created housing units in multifamily structures from rent control will not raise the rent of a single existing housing unit. It will be those with the desire to have the latest and most modern living accommodations and with the means to afford them, who will occupy the new apartments. This has always been the history of the housing business. The important thing is that at this time when people move into new apartment buildings, their former apartments become available at a controlled rent.

We, therefore, endorse any proposal made which provides for the exemption of newly created rental housing units in multifamily structures from rent control.

One more thought before I conclude. The eventual length of the life of OPA is problematical, but we believe that rent control will be with us in many centers for quite a few years after OPA has completed its general task. It is time now to think of what eventual disposition should be made of the rent-control problem.

During the period of an armed conflict there may well have been good and sufficient reason to place rent control under a Federal agency. There was no time to wait for States to act, and neither did the States have advance information as to where a new camp would be established, where a new munitions plant was to be built, where a large factory was projected, et cetera, all occasioning a large increase in the local population.

However, none of the foregoing applies now. The actual armed conflict is ended, and consideration should be given to permitting the States to take over their proper normal functions. Rent control is one of these. It is purely a local problem. Housing is not interstate commerce. Buildings cannot be moved from State to State, to be located where conditions are most advantageous.

We, therefore, recommend that an amendment be added to the Emergency Price Control Act providing for the prompt withdrawal of Federal rent control from any State which has or which enacts its own rent-control laws. The local State legislatures know the problems in their States and can legislate with solely these problems in mind. OPA itself has recognized that rent control is a local problem. It has frozen rents at varying levels compared to prewar years in various localities throughout the country. It has actually permitted certain localities to administer their own rent control under local law even during the war period. Its very regulations differ with respect to various localities.

Chester Bowles has publicly stated that rent control, although it would still be a serious problem, should be turned over to the States in June of 1947. We ask a simple question. Why not earlier as each State is prepared to undertake its own responsibilities?

For this reason we urge the enactment of the amendment we suggest.

These are the four amendments to the Emergency Price Control Act suggested by the Metropolitan Fair Rent Committee:

1. Provide for a modest over-all increase in the general rent level to offset increased costs.

For this purpose subsection (b) of section 2 of the Emergency Price Control Act of 1942, as amended, is amended by inserting after the third sentence thereof the following new sentence [reading]:

The Administrator shall authorize an increase of 15 per centum, effective on and after July 1, 1946, in the maximum rent in effect on that date in all defense-rental areas which have been designated prior to that date; and in designating any defense-rental area on or after July 1, 1946, the Administrator shall, upon designating the maximum rent date, provide for an increase of 15 per centum in any rent in effect on the date determining the maximum rent.

Rents generally are at low prewar levels. A fair and reasonable adjustment should be provided to maintain the stability of real estate and protect the savings of the millions of people of small means who have a stake in its ownership and underlying securities.

2. Provide that an owner is entitled to a reasonable return on the fair value of his property.

For this purpose subsection (c) of section 2 of the Emergency Price Control Act of 1942, as amended, is amended by inserting after the first sentence thereof the following new sentence [reading]:

The Administrator shall, when so requested in cases of individual properties make such adjustments of the maximum rents of the housing units in an individual property as are necessary to provide sufficient income to cover all current costs of operation, administration, repairs, current and deferred maintenances at 2 per centum per annum, insurance, taxes (other than income taxes), depreciation, and, in addition thereto, a reasonable return on the fair value of the property.

The principle of private enterprise and the right to compensation for labor and capital invested, require that no law should prevent the earning of a reasonable return on the fair value.

3. Exempt newly created housing units from rent control.

For this purpose section 2 of the Emergency Price Control Act of 1942, as amended, is hereby amended by adding a new subsection reading as follows [reading]:

SEC. 2. (—) No regulation or order issued under this Act shall, after the effective date of this subsection, apply to any additional multifamily housing space created subsequent to October 1, 1945, by alterations, rehabilitation, or new construction

This is essential if the housing shortage is to be overcome. It does not raise the rent of a single existing housing unit.

4. Require the withdrawal of OPA Federal Residential Rent Control from States adopting their own residential rent-control laws.

For this purpose section 2 of the Emergency Price Control Act of 1942, as amended, is hereby amended by adding a new subsection reading as follows [reading]:

SEC. 2. (—) When any State is prepared to undertake the control of the rent of the housing accommodations located in areas within its boundaries and when any State finds its housing conditions warrant such control and adopts, or has, a State law providing for the control of the rent of housing accommodations in such areas in the State as the State authorities find require such control, section 2 (b) of this Act and the provisions of any other section of this Act relating to rent shall not, thirty days after any State enacts such a law, or if any State has such a law, then thirty days after the enactment of this subsection, apply to any area located within the boundaries of that State. The Administrator, within thirty days after the enactment of such a law by any State, or if any State has such a law, then within thirty days after the enactment of this subsection, shall issue a regulation or order abolishing the controls upon rents imposed in such State by authority of this Act and is prohibited from reestablishing such controls.

The principle of home rule and the sovereignty of the States calls for this step.

Senator TAFT. Are these the same amendments recommended by the National Real Estate Board, or whatever it is called?

Mr. KOPPEL. The National Property Owners' Association?

Senator TAFT. Yes.

Mr. KOPPEL. I haven't seen theirs. I think they are about the same thing. We have been getting together with them for the last 2 or 3 years, trying to get relief in this situation.

Senator MITCHELL. What steps have you taken to get relief?

Mr. KOPPEL. Well, we followed the course Congress laid down, through protest to the agency; through appeal to the Emergency Court of Appeals. In December 1943 our final protest was carried on by competent counsel before the Administrator. It is now well into May 1946, 2½ years later; we have incurred an indebtedness of \$100,000 in following the course of conduct laid down by the Emergency Price Control Act in order to get the relief against what we consider the improper acts of the Price Administrator, and we have been unable to get a decision from the Emergency Court of Appeals.

We hope that decision is forthcoming before long. We got one decision in our favor from the court of appeals. Within 10 days of the time it gave the decision, stating that the rent level was in error, at least as to certain classes of apartments, and ordering a judgment in our favor, the OPA came in and petitioned for a rehearing on the basis of a presentation of new evidence and new surveys which they had made.

So we had to start all over again. This is the only industry I know of where for 2½ years a seller is held down to the level he believes is improper before he gets any relief. It is an impossible situation, yet we followed the procedure the Emergency Price Control Act suggested for relief.

Senator MITCHELL. How many States have rent control at the present time?

Mr. KOPPEL. The only State I know of is the State of New York. The State of New Jersey has one in committee. California, I understand, has already taken it up, but how far they have gone, I don't

know. Illinois, I understand, has it under consideration. If this Senate or Congress will advise the States that on termination of OPA they will have to take over rent control, they will be on notice and they will have ample time to prepare for it.

Senator MITCHELL. Forty-seven States would have to take legislative action to do that.

Mr. KOPPEL. I doubt if you need rent control in 47 States. I am not conversant with every State in the Union, but I think you will find some that don't need it.

Senator MITCHELL. You say that hardship cases, or those in need of adjustment of rents upward, are a very difficult process to go through in OPA?

Mr. KOPPEL. No, sir; I didn't say that. Pardon me if I interrupt. What I said was that OPA has vitiated the congressional intent in its handling of that proposition. Congress said if an owner finds he has a very substantial hardship due to increased operating costs and increased taxes he was entitled to a rent adjustment.

Senator MITCHELL. Do you know how many rent adjustments have been made in New York?

Mr. KOPPEL. Practically none. There were 5,500 units adjusted under hardship in the entire United States as of January 30, 1946, according to the statement of Mr. Carson, Deputy Administrator, before the House Banking and Currency Committee. That is less than four-hundredths of 1 percent.

In the city of New York I don't think we have had a dozen. One reason we haven't got it is because OPA added something in their rules and regulations that Congress didn't say. They said, "We won't give any upward adjustment, even though you are suffering a hardship." That means that we must raise the rent of the building in making the adjustment above the rent in comparable housing accommodations. So that when you come into an area—we will confine it to an area of 30 buildings in some spot—1 building finds it has a condition and comes in and complains about it and the other 29 find out about it and walk in and complain, so that not one of the 30 can get relief, because their rent would be raised above the other 29.

Senator MITCHELL. I saw somewhere where more than 30,000 were made in New York.

Mr. KOPPEL. I said under the hardship provision—about a half dozen.

Senator MITCHELL. Oh, well, I am asking about all adjustments.

Mr. KOPPEL. Not for existence of hardship or income. They have been made for services, but the one thing that OPA did do was to make an adjustment back in 1944 in New York, or in the fall of 1943, when they first came into effect, and that was if they found a unit under lease which had been signed for some period of over a year, prior to the freeze date, or a year and a half, prior to the time rent control came in, if those leases were still in existence, they would make an adjustment and there were a few that did receive adjustments.

The balance were practically all service adjustments. As against that OPA has reduced rents where services have been discontinued. That is one of the worst things that has happened in our area. I don't know how it applies to other areas, but where the Government has ordered services discontinued, it naturally has caused a hardship to

the tenants. Where that has happened OPA comes in and says, "Mr. Landlord, you have to pay for your tenants' inconvenience; not by the amount you saved by the discontinuance of this service, but you have to subsidize these tenants by paying them whatever it costs them to replace this service, irrespective of what it costs you."

I am referring particularly to the bus situation. In 1943 the Government ordered discontinuance of private bus service and the OPA came along through the apartment houses, without any regard to what that bus service was costing the owner, and they said, you must reduce this rent.

Senator MITCHELL. What do you mean by bus service?

Mr. KOPPEL. Bus service from the house to the nearest transportation.

Senator MITCHELL. Has that been provided by the landlords?

Mr. KOPPEL. Yes, sir. OPA comes along and says, "You must reduce the rent to the tenants, not by your saving by this order, with which the landlord had nothing to do, but by which we consider the reduced rental value of these premises. We have cases which have been carried up to the Emergency Court of Appeals. I will give you one set of figures here—where a landlord was spending about \$3,000 on bus service and he had to make an annual refund since then of \$5,600. There is no question but what those tenants were discommoded, but the landlord didn't do it, so why should he be subsidizing the tenant because of the hardships of war?"

The reason I brought that out, you will find many similar reductions of rent in New York. You will find many more like that than you will find upward adjustments in connection with service. You will find that practically all of them are on the basis I have just mentioned, not on the landlord's saving by eliminating the service, but by a subsidy ordered paid to the tenant by OPA out of the landlord's pocket. We carried that up to the Emergency Court of Appeals—

Senator MITCHELL. How much would your program increase the rental bill of the country?

Mr. KOPPEL. I haven't figured that, but I figured this: that the average rents in New York—56 percent of the rents in New York are \$40 a month and therefore I assume that \$35 would be about what would be the range there.

A pack of cigarettes a day would give the landlord his relief.

Senator MITCHELL. The national bill is around \$6,000,000,000?

Mr. KOPPEL. I don't know where it comes into the picture.

Senator MITCHELL. That would be a billion-dollar increase in the rental across the country, then, in granting the additional amount which you suggest. You have suggested a 15-percent addition, to everybody and then, on top of that, further increases in these hardship cases?

Mr. KOPPEL. Only where additional costs or circumstances require it, and if there are so many, then it must be pretty bad—a pretty bad situation—must it not?

Senator TAFT. Well, of course, an increase of 15 percent across the board would greatly reduce the number of hardship cases.

Mr. KOPPEL. That is just the point I am making. If there are going to be many hardship cases after relief is granted, then the picture must be worse than I am painting it.

The amount in toto I don't think makes any difference unless you compare it to the earnings power of the country during these years.

Senator TAFT. Well, a \$35 rent would be increased to \$40 a month?

Mr. KOPPEL. Yes, \$5 a month, the price of a package of cigarettes a day. That is what we are asking.

Senator TAFT. You probably will be glad to take 10 percent.

Mr. KOPPEL. I never saw a starving man that wouldn't take half a loaf if he is offered it.

Senator TAYLOR. Are there any other questions?

(There was no response.)

Senator TAYLOR. Our next witness is Earl Constantine, president of the National Association of Hosiery Manufacturers.

STATEMENT OF EARL CONSTANTINE, PRESIDENT, NATIONAL ASSOCIATION OF HOSIERY MANUFACTURERS, NEW YORK CITY

Mr. CONSTANTINE. Mr. Chairman and gentlemen of the committee, I am going to follow the procedure, if possible, of keeping my stuffed effigy of OPA outside in my hate room, and confining myself as much as possible to what I consider to be the question before us, and that is: Should we have a continuance of price control; and, if so, under what restraints, legislative and statutory, in the interest of permitting the enlargement of production and the return to that day when we can do our business without any price control whatever?

I have before me a very brief statement.

Senator MITCHELL. May I ask, Does the national association represent all the hosiery manufacturers?

Mr. CONSTANTINE. No, it does not.

Senator MITCHELL. What percentage of them?

Mr. CONSTANTINE. On the capacity basis we represent about 85 percent of the capacity of the industry.

I may like to add this, too: That at our conference last week in Atlantic City we showed by the records that 54.3 percent of the membership of the National Association of Hosiery Manufacturers consist of plants whose annual volume of sales does not exceed half a million dollars, and 73 percent of the membership consists of plants whose annual sales do not exceed a million dollars.

I bring that fact into the record because I do not want to appear as speaking only for the big units. We embrace large and small units, more small ones than large ones. The industry is not what you would call a highly integrated industry.

This statement of mine is very brief, and I shall try to limit my interpolation, Mr. Chairman, in the interest of saving time.

Senator TAYLOR. Thank you.

Mr. CONSTANTINE. First, we recognize and believe that as a means of avoiding inflation, price control must be continued beyond June 30, 1946, particularly on consumer goods which are of frequent use and purchase by the consumer, such as food, shelter, and clothing, and which have a bearing, therefore, on the cost of living. On the other hand, we believe that a definite date should be set and declared by Congress for terminating all price control.

Second, the prime objective of any action taken at this time with reference to price control should be an increase in production. Many

price ceilings, particularly those governed by the general maximum price regulation, are today frozen at levels which retard and discourage production. Whatever merits a formula may have possessed in 1942, it cannot possibly retain such merits if it disregards the increased costs of production which have necessarily taken place during the 4 years which have gone by since then.

Third, products frozen at their delivery levels of March 1942, under the provisions of the general maximum price regulation, now generally require price adjustment and relief of a degree which will recognize authorized increases in the prices of materials, and the increases in direct labor, which have taken place in the intervening 4 years. GMPR ceilings were applied by the manufacturers on the basis of their records of March 1942.

By that I mean, Mr. Chairman, each manufacturer was told that the highest price at which he delivered or offered to deliver a product in the month of March 1942 automatically became his ceiling on that product.

With relatively few exceptions such method of pricing has been used properly and correctly. The suggested adjustments, therefore, could now be applied by the manufacturers quickly and satisfactorily in similar manner, if OPA will make available to them a proper and clear definition of "direct labor," and the total price increases of materials authorized by it between March 31, 1942, and June 30, 1946. The last-mentioned date is the close of the second quarter of 1946 and is used by us to suggest that the adjustments on both materials and direct labor be made on the basis of including the increases of the second quarter of 1946. All price adjustments should, of course, be subject to review and enforcement by OPA.

Fourth, the maximum price regulation, usually referred to as MAP, should be discontinued on June 30, 1946, by legislative stipulation. Its fundamental purpose, to encourage and assure the production of low-price goods by compelling the manufacturer to maintain a maximum average price structure within that of the same period in 1943, appeared to have merit at the time it was announced and put into effect. However, with many materials which were available in 1943 now scarce or not obtainable, and with the prices of materials and the costs of labor substantially higher than they were in 1943, compliance with MAP is rapidly becoming punitive and impossible.

I may say, Mr. Chairman, that in the case of yarn—cotton yarns, for instance, which are a major yarn used by our industry in the making of men's goods and children's goods and also in the making of women's hosiery as well—cotton-yarn ceilings have increased since 1941 approximately 40 percent, official increases granted by OPA.

The other element, of direct labor: In case of direct labor a survey made by us recently on a sample which was regarded by OPA as being a fair sample, showed a direct labor increase in the same period of time of approximately 55 percent.

These are the two major items of cost, of course, and they have been growing at these rates, so far as our products are concerned, over this period of time.

In many cases in the hosiery industry the surcharges at the end of the first quarter of 1946 cannot possibly be offset during part or all of the second quarter. MAP illustrates a case of good theory which in practice works less and less as time goes on. A point has been

reached where compliance is becoming increasingly impossible. That is a good point at which to discontinue any law or any regulation.

I may interject this, I think, fact: We were in some conferences with Price Administration early in March, and that would be only, say, 2 months ago, and at that time the load of reports under this regulation—and these reports are very extended, very difficult to make out, and they embrace a large number of industries, was such that I do not believe OPA had processed the reports as of December 31, 1945. Now, since then the report load is continuing to pile in there, and we are reaching a point now where we cannot comply; and, second, I doubt OPA knows to what extent the compliance is being found impossible.

Fifth, it is important that price control shall be tapered down between now and the date on which it terminates, in order to avoid the disturbing and the hurtful impacts which would otherwise result. We urge, therefore, that the law by which price control will be extended impose upon OPA a responsibility to decontrol products progressively and aggressively as rapidly as the volume of their production in units reaches a stipulated level. We suggest that a satisfactory level of production would be that of 1940.

What we are suggesting here might be described, gentlemen, as a statistical automatic method which brings about or requires decontrol.

Senator MITCHELL. On that basis, what is the demand for nylon stockings?

Mr. CONSTANTINE. I will come to that in a minute, if I may, Mr. Senator. I am leaving that to the end. I imagined that you would want to have a word on the subject. Will you permit me to defer that for a minute, Mr. Senator?

Senator MITCHELL. Well, I wonder. You are talking about production there, and it seems to me that it should be discussed.

Mr. CONSTANTINE. Well, I will give you the answer right now. We are 16 percent behind the level of 1941 in the production of all types of women's hosiery. I am putting together all types of women's hosiery and not spotlighting nylon alone. The women today may want nylon, and not all of them, but if a woman cannot get nylon she will take rayon. If she can get a good lisle she will take good lisle. In many occupations the women cannot use nylon nor rayon, like in waiting on table, nurses in hospitals. In occupations of that kind the woman uses cotton or rayons.

Senator MITCHELL. Of course, I saw a statement, attributed to an official of du Pont, that thread for 210,000,000 pairs of nylons had been delivered.

Mr. CONSTANTINE. I will give you the exact figures, Mr. Senator, when I come to that.

Senator MITCHELL. All right.

Mr. CONSTANTINE. Sixth, we strongly recommend that the law extending price control definitely impose upon OPA the responsibility to act with promptness on recommendations, petitions and protests. Its present methods of procedure are time-consuming to a degree which frequently makes even favorable decisions substantially worthless because of delays. Reasonable time limits within which decisions must issue would probably accomplish the desired end.

I was present Friday and heard some of the discussion and testimony, and I recall that the question was raised as to whether or not

OPA had discovered in the last 60 days a method of speeding up its action. I think it was the Senator from Indiana who raised the point.

Well, I think definitely OPA has found that it can run where it walked and it can act where it stuttered. I think that these discussions taking place at this hearing are having a salutary effect.

Senator MITCHELL. How would you determine reasonable time limits? They would have to be on a varying scale of some kind, would they not?

Mr. CONSTANTINE. I should think so. I have suggested three types of things that come before them for action. I have described them as recommendations, petitions, and protests. A protest is usually the action of an individual company which comes for relief because the law which governs it, the price law that governs it, has become onerous, and it needs quick relief. And these cases in particular, it seems to me, ought to be acted upon definitely one way or the other with the greatest dispatch.

We find delays on protests run for months at a time, and there have been suspensions of operations, there have been suspensions of work on the part of laborers, and all types of damage done. I do not know why it is that, whereas in the War Production Board, in the Civilian Production Administration and in other administrative bodies, more or less similar in their responsibilities, they find it possible to incorporate in their procedure or in their regulations a device by which to avoid doing harm which is not intended; in other words, to recognize an extreme case of hardship and to treat it as such and to give it relief, while the general policy pursued by Price Administration is that, the rule having been issued, a regulation having been put in force, that regulation stands as it is regardless of what it may do in extreme cases, and in some of them the harm has been very bad indeed.

Now, our product, Mr. Chairman and gentlemen, is, as in many other industries, governed by two types of price regulations. Some of our products—and that embraces most of the women's products: women's nylon stockings, women's rayon stockings, and women's silk stockings—are governed by uniform, specific dollars and cents regulations.

And I would like to say that, while we have had to struggle on these regulations in our protracted discussions with Price Administration, all three of these regulations are regarded not only by me, but also by the leaders of the industry and generally by the industry, as being satisfactory regulations. Where we have had opportunity to develop specific dollars and cents, sort of custom-made, price regulations, after much study of the product and after submitting to Price Administration every type of fact that they needed, we have ended up—sometimes after much struggle and a little blood on the nose—we have ended up with regulations which we regard as satisfactory regulations.

Senator TAFT. Are those dollars-and-cents ceilings the same for all manufacturers of the same goods, or are they individual?

Mr. CONSTANTINE. No; they are identical, Mr. Senator, to all manufacturers. The regulation breaks the product down by types. In the case of women's hosiery it breaks it down by gages or by needles and by the weight of the yarn. And running through that product you might say that there is a strong element of uniformity in the

product itself. Gage by gage, yarn by yarn, assuming that the manufacturer knows his business, the product which issues ought to be approximately the same product, and under those regulations we have satisfactory ceilings today.

Whatever scarcity of women's hosiery there is today, it cannot be traced to inadequacy of ceilings, and that is good for silk, it is good for rayon, and it is good for nylon.

Now, the rest of our products—and that is the women's wools and women's cottons and the men's and children's products—they are all under the general maximum price regulation. I am happy to say that at our conference in Washington a week ago today, Mr. Baker, Deputy Administrator for Price, was our guest, one of our guest speakers, and he announced then that within 24 hours they would give us a date by which they would issue an amendment which in substance would take these hosiery products that are now under uniform regulations and are governed by general maximum price regulations, and will allow them to be adjusted upward substantially along the line of our proposal in this memorandum, namely, to compensate for authorized increases in yarns and materials and to compensate for direct labor.

Now, that amendment has been signed by Mr. Baker. I have not seen it yet in its final form. I am assuming from the discussions which have taken place that in substance they are according us the practical thing that we are demanding here. But if it is good for the hosiery product, gentlemen, it is just as good for every other product across the board. There should not be any reason why the hosiery product can get these adjustments on the basis of covering the 4-year intervening rises in materials and direct labor, and not have the same thing apply to other products.

Now, I have had some persons come to me and say, "Why didn't you ask on top of that for an adjustment of your margins to a reasonable degree?" And my answer has been that it will take more than a year of extension of price control for any two people to agree on what is a reasonable margin of profit, and I do not know where the wise man is who is ready to offer it. We do not know what it should be. We think sufficient unto the day is the relief, if we can get increases to cover these two probable items of increase which are the major cost items and which you can take off of your books.

Now we, are going to have an order come out this week, gentlemen, which will finally carry out a promise of Mr. Bowles of January 16. It is a long story as to why price control was lifted off of raw silk. It had to do originally with the raw silk which we wanted Italy to be able to bring into this country as a means of improving its economy. It was long discussed, for months, and finally they lifted price control on raw silk. At the time they did that Mr. Bowles issued a public statement that similarly and naturally and inescapably price control would be lifted from silk products made entirely of silk. That was back in January, and here we are in May; I think it will be issued this week.

Now, when the silk hosiery comes on the market next week—

Senator CAPEHART. Without any price ceiling?

Mr. CONSTANTINE. That is right. It is coming on the market next week, and it is coming on the market because I, among others,

supported by my board of directors—we said to our industry [reading]:

¹ Buy raw silk, convert it into hosiery, prepare to put it on the market. We are going to hold OPA and Mr. Bowles to his statement of January 16. Do not delay making the product, because the public is short of stockings.

So our industry generally—a few have held back, but generally our manufacturers have been busy making silk stockings, and they are coming on the market next week.

Senator CAPEHART. They will sell high, will they not?

Mr. CONSTANTINE. They are going to be terribly expensive, Mr. Senator, and I think it would be well that this committee should have on the record the facts why: We were using, before the Government commandeered the raw silk—and that is what the Government should have done.

Senator CAPEHART. And they did.

Mr. CONSTANTINE. We were using over 90 percent of the total poundage of raw silk consumed in the United States. You would not believe it, but it was going into women's hosiery. There was only about 10 percent of raw silk that was going into ties, dress goods, or what have you. It would follow from that that when they commandeered all raw silk, somewhere around 90 percent of it must have come from our industry or our suppliers, because some of our people buy on futures, and the agents carry them and finance the silk they have contracted for.

About 3 months ago, 2 months ago, approximately 2 months ago, the War Assets Administration, part of the Surplus Property organization, sold the surplus of raw silk. I had many conferences with those gentlemen, and I thought that they would probably resell it to those who sold it to them under forced order, at approximately the same price, which was \$3.08 a pound.

And I may add that they had rolled the market price back 5 days when they gave us \$3.08 a pound. It was \$3.56, I think—on Saturday, July 26, 1941, and they rolled it back to the Monday price of \$3.08.

I thought that they were going to sell it that way, with the possible addition of a carrying charge, and the carrying charge was estimated not to be more than 50 cents a pound.

That is not the way they sold it. They sold it under sealed bids and the price range on that lot of silk—and I am only talking of 3,300 bales; that's all—the price range ran from \$6 and a fraction to \$22.25 a pound. In other words, the Government acquired it at \$3.08. Its net profit—

Senator CAPEHART. You don't mean the United States Government is dealing exorbitant prices, do you?

Mr. CONSTANTINE. No; not at all.

Senator CAPEHART. Exorbitant profits?

Mr. CONSTANTINE. Not exorbitant. It is a matter of—

Senator CAPEHART. They bought at \$3.08, and they are selling at from six to twenty?

Mr. CONSTANTINE. Six to twenty-two and a quarter.

Senator CAPEHART. We had better pass an OPA law here that applies to the Government, hadn't we?

Mr. CONSTANTINE. The average, Mr. Senator, was \$11.75, against an average purchasing price of \$3.08. Now——

Senator MITCHELL. What would be the carrying charge, the likely carrying charge, the increase that you would have expected them to add to the price?

Mr. CONSTANTINE. As I said, we thought that something like 50 cents a pound would be a reasonable carrying charge. The man who paid \$22.25 for his raw silk, if he converts that into stockings, madam will pay \$5 a pair. Even if he only paid an average of approximately \$12, she will pay \$2.50 to \$3 a pair. Facetiously, I told one of the manufacturers the other day that they had better be prepared to pull out the old dragon and pagoda and also tie it with ribbons to try and justify the price that they will have to ask for it.

Now, there is a case of enforced high prices of the end-use article. There is no escape. You are in a scarcity market where you flash a pair of stockings, and it is sold before you can even mention it; and under such conditions you are paying prices of that kind for your raw material. You can easily estimate what will happen.

Now, the price regulation which is being withdrawn this year is based on \$3.08 a pound, but the product that goes on the market will be something higher up. Now, you can't——

Senator TAFT. May I ask: The silk comes from what was here when the war began; is that it?

Mr. CONSTANTINE. That is right.

Senator TAFT. It has been kept all these years?

Mr. CONSTANTINE. That is right.

Senator TAFT. Plus some silk imported from Italy?

Mr. CONSTANTINE. Very little has come so far, and our product does not particularly like Italian silk. Italian silk is a little bit too fibrous for our use.

Senator TAFT. Is there any renewal of Japanese production?

Mr. CONSTANTINE. Yes, the Japanese silk is now beginning to flow to this country, under direction of the military, and the War Department has contracted with United States Commercial Company, the Government agency, to handle the sale of Japanese silk. I anticipate the first sale will be before the end of this month; probably 5,000 bales, followed by 10,000-bale lots. We estimate that about 40,000 bales will come to the country between now and the end of the year.

Senator TAFT. But we have to regard silk stockings, I suppose, as purely a luxury for the time being.

Mr. CONSTANTINE. I would think so.

Senator TAFT. Whereas nylons are just as good for practical purposes.

Mr. CONSTANTINE. Well, yes, and preferred by most women.

Senator TAFT. And preferred by most women.

Mr. CONSTANTINE. They have a longevity, a longer useful life, on the average, than the silk. Not all people like nylon, although there is a contrary impression. I had luncheon one day about 3 months ago with one of the leading owners of shoe chain stores. There are six of them in the firm, and the six of them have plenty of money, and they doll up their girls the best they know how [laughter], and they told me that their wives—it just happened that

all six of their wives, who could have anything they wanted, preferred silk to nylon. Believe it or not.

Senator CAPEHART. How many hose will the silk that the Government recently disposed of make? How many hose would it make if it was converted into hose?

Mr. CONSTANTINE. Well, if they had given us 3,000 bales, which is what we thought we would get, we estimated that at half a million dozen pairs. Half a million dozen pairs.

Senator CAPEHART. 500,000 pairs?

Mr. CONSTANTINE. But, Senator, they took this lot of 3,300 bales and exercised Solomonic justice.

Senator CAPEHART. Oh.

Mr. CONSTANTINE. They cut it in half, and to our industry, which had supplied 90 percent of it, they gave 50 percent of it. The other 50 percent they left for other industries. I suppose they figured we were getting nylon back in larger quantities.

Senator CAPEHART. They gave you enough to make 250,000?

Mr. CONSTANTINE. Approximately, I would say.

Senator CAPEHART. Two hundred fifty thousand dozen pairs?

Mr. CONSTANTINE. Yes; that is right.

Senator CAPEHART. Now, at the price of \$3.08 plus, say, 50 cents a pound for carrying charge, or it would be \$3.58, approximately what would those hose sell for?

Mr. CONSTANTINE. Well, I would say a rough range—the range of silk stockings, Senator, if I recall correctly, would run somewhere from about a dollar on the lower gages to \$1.65, the highest.

Senator CAPEHART. In other words, if they sold it to you for what they purchased it from you at—

Mr. CONSTANTINE. That is right.

Senator CAPEHART (continuing). Plus a 50 cents carrying charge, the hose would be sold to the ladies at from a dollar to a dollar and a half, you say?

Mr. CONSTANTINE. Yes; \$1.65 I said.

Senator CAPEHART. \$1.65. That would have been 250,000 dozen pair. Now, the Government is not practicing themselves what they preach to everybody else in keeping prices down, sold it to you at an average of, you say, \$12?

Mr. CONSTANTINE. \$11.75; yes.

Senator CAPEHART. \$11.75. What will that make the hose, these 250,000 dozen pairs, cost the ladies?

Mr. CONSTANTINE. Well, I am estimating on it, too.

Senator CAPEHART. Oh, yes.

Mr. CONSTANTINE. I said that I thought it would sell for not less than two and a half dollars a pair or 3 dollars a pair.

Senator CAPEHART. Two and a half to 3 dollars a pair?

Mr. CONSTANTINE. To \$3, yes.

Senator CAPEHART. So, in this instance the Government is not evidently interested in the cost of living. I mean they have no objections whatever to charging the ladies an additional dollar and a half a pair on 250,000 dozen pairs. That would be how many here? About 3,000,000.

Senator MITCHELL. 3,000,000 pairs.

Senator CAPEHART. About 3,000,000 pairs. So they are perfectly willing, then, to be greedy enough, as they accuse everybody else, of

charging 3,000,000 ladies that want to buy a pair of silk hose, each an additional dollar and a half, which is four and a half million dollars, isn't it?

Mr. CONSTANTINE. Yes.

Senator CAPEHART. What?

Mr. CONSTANTINE. That is right.

Senator CAPEHART. It is an inconsistent government we have, isn't it?

Mr. CONSTANTINE. Well, we expressed ourselves in one communication, Senator, and sent it to them with our compliments, and since then we have been busy with other things.

Senator CAPEHART. They are a great lot, are they not?

Senator MITCHELL. Getting back to the nylon thread available, is that figure of 210,000,000 about right?

Senator TAFT. Profiteering on the side.

Mr. CONSTANTINE. What?

Senator MITCHELL. Thread available to the industry for 210,000,000 pair of nylons.

Mr. CONSTANTINE. I do not know what that figure is, to be candid, Mr. Senator. I can give you the facts another way.

Senator MITCHELL. Well, let me put it this way: Is there sufficient nylon thread available for the hosiery industry to operate at full speed?

Mr. CONSTANTINE. Oh, no. No. The du Pont people who produce this remarkable yarn have, of course, a limit to their capacity. They are furnishing the hosiery industry, and I think they had a moral obligation to do so, with most of the nylon yarn which they produce. We are securing from them month by month, out of their capacity, which is a limited factor—we are securing about 90 percent of their nylon yarn today. That translates itself into a million and a half pounds a month. A million and a half pounds a month or 18,000,000 pounds a year. Now, you can almost mathematically figure out how many nylon stockings that will make. A million and a half pounds a month, using 10 ounces per dozen pairs—and that is all it takes—10 ounces for 24 stockings or a dozen pairs, and that allows for waste. It will give you 2½ million dozen pairs a month. Or if you want to put it in terms of pairs, it will give you 30,000,000 pairs of nylons per month.

Now, while I was listening to the previous witnesses I thought it would be interesting to show you a barometric picture of what has happened on women's hosiery over the last 9 months.

Senator CAPEHART. I want to ask you one question first.

Mr. CONSTANTINE. Yes.

Senator CAPEHART. What Governmental agency sold this silk?

Mr. CONSTANTINE. It was sold by the War Assets Corporation, which is a subsidiary—I think it is a subsidiary of the War Surplus.

Senator MITCHELL. When was it sold?

Mr. CONSTANTINE. What?

Senator MITCHELL. When was it sold?

Senator CAPEHART. When was it sold?

Mr. CONSTANTINE. About 2 months ago.

Senator TAFT. The successor to the Surplus Property Administration.

Senator MITCHELL. Surplus Property Administration.

Mr. CONSTANTINE. Yes; successor to Surplus Property Administration.

Senator CAPEHART. At the time it was sold was there an OPA ceiling on silk?

Mr. CONSTANTINE. Was there an OPA ceiling on silk?

Senator CAPEHART. Yes.

Mr. CONSTANTINE. No; not on raw silk.

Senator CAPEHART. Not on raw silk.

Mr. CONSTANTINE. Because raw-silk ceilings were lifted on January 16.

Senator CAPEHART. Of this year?

Mr. CONSTANTINE. Of this year; yes.

Senator CAPEHART. Why were they lifted? Do you know?

Mr. CONSTANTINE. They were lifted in order to permit Italy to realize all that she could out of what was one of very few things that she could export to the world.

Senator CAPEHART. In other words, it was done in order to accommodate Italy?

Mr. CONSTANTINE. Yes; but it was broad policy. The State Department was in on it as well as Price Administration, and the State Department even more than Price Administration.

Senator CAPEHART. In other words, it didn't make any difference what happened to those 3,000,000 women that wanted to buy a pair of silk hose, that were going to pay a dollar and a half extra for it, four million and a half dollars?

Mr. CONSTANTINE. Yes.

Senator CAPEHART. It was done to accommodate Italy; is that it?

Mr. CONSTANTINE. Yes.

Senator TAYLOR. As a matter of fact, the idea is this: We were going to have to feed the Italians anyway.

Mr. CONSTANTINE. That is right.

Senator TAYLOR. And if some of these ladies with plenty of money wanted to have the silk hose, it would take a little of the burden off the average taxpayer.

Mr. CONSTANTINE. I would like to say that I personally, and that was true of many others, were not entirely unsympathetic with the policy of the State Department.

Senator CAPEHART. I would not think you would be if you could sell hose for twice as much as you bought them for.

Mr. CONSTANTINE. Well, I know, but if we pay more for the material—you are a manufacturer, Senator—we are not any better off, understand.

Senator CAPEHART. I understood it.

Mr. CONSTANTINE. Yes.

Senator TAFT. The Government could have bought silk from Italy and eliminated the trouble here, with what they had already, very easily, couldn't it?

Mr. CONSTANTINE. That is right. I may say this: That I was requested at that time to submit a memorandum on what the effect would be on silk hosiery for women in the event of lifting of price control on raw silk, and I went a step further in my memorandum and suggested, as an alternate to complete lifting of control, the fixing of price ceilings on that silk when it came into this country. I gave, as I recall, two alternate price controls on raw silk on a pound basis

and then converted that into hosiery, to show what would happen to hosiery on the basis of either one of those two ceilings on raw silk.

Senator CAPEHART. Let me ask you this question: Is there any more reason why there should be a ceiling on nylon hose than there is a ceiling on silk hose?

Mr. CONSTANTINE. Well, I would say so, because nylon is your major product now. It is our major product, I assure you.

Senator CAPEHART. I know, but should the lady that wishes to buy silk in preference to nylon not be protected just as well as the woman who prefers nylon?

Mr. CONSTANTINE. Well, she is like the lady buying diamonds, at Tiffany's, probably.

Senator CAPEHART. Well, I do not agree with that. What are nylons selling for today?

Mr. CONSTANTINE. Well, they are selling under a price regulation which I don't think—I think the highest price that any nylon stocking is selling for today is either \$2 or \$2.05. That is the finest.

Senator CAPEHART. A pair?

Mr. CONSTANTINE. Yes.

Senator CAPEHART. You made a statement a minute ago that if the Government sold silk today at \$3.58, which is the price they paid for them plus 50 cents, that you would have been able to have sold the silk hose at from \$1 to \$1.65 a pair.

Mr. CONSTANTINE. Well, that is right.

Senator CAPEHART. Well, that is wholesale silk?

Mr. CONSTANTINE. That is right.

Senator CAPEHART. So I must get back to where I started, and that is that the Government themselves have been a party to maneuvering 3,000,000 American women into paying a dollar and a half a pair for 3,000,000 pairs of silk hose, or four million dollars and a half.

Mr. CONSTANTINE. That is true.

Senator CAPEHART. I would like to know how—I cannot conceive of their coming in here and asking us to continue OPA and to have a ceiling on one thing when they themselves become a party to what has just been described.

Mr. CONSTANTINE. Well, because, according to what was pointed out a minute ago, we have, I assume, a very serious problem, economic problem, in countries which we occupy. One is Italy and the other is Japan. The Japanese silk is coming in now under control of the American Army. It is being sold by the Government, by the U. S. Commercial Company on behalf of the Army, and I assume that the purpose of that is to convert it into dollars and help Japan restore her life.

Senator CAPEHART. I see that. And by the same reasoning——

Mr. CONSTANTINE. Yes.

Senator CAPEHART. I presume, according to what you say, we will now recommend that we discontinue all subsidies because there again we are taking money from the taxpayers, as he explained a minute ago in reverse, and giving it to people in order to keep prices down. So what is good for the goose is good for the gander, and the principle is exactly the same.

Senator TAYLOR. Taking money from the taxpayers, and what I said was that we will let the ladies that shop at Tiffany's buy the silk hose and will make the burden easy on the taxpayer.

Senator CAPEHART. Well, what you said was that we had to feed the Italians, which cost the taxpayers money; therefore we would take their silk in and sell it at this high price in order to reduce the cost to the taxpayers. Now I say let us take the same thing as far as subsidies are concerned, then: let us reduce subsidies and cut out—

Senator TAYLOR. Well, silk hose are not a necessity; they are a luxury.

Senator CAPEHART. No; but so are nylons a luxury.

Senator TAYLOR. No. As Mr. Constantine said, who represents the hosiery industry, nylons are a necessity for the average woman.

Senator CAPEHART. He also said that they could have produced the hose for \$1 to \$1.65 a pair when they are selling nylons at \$2.05 a pair. Let us keep the record straight.

Senator TAFT. and 360,000,000 pairs of nylons in a year; will that catch up with the demand, Mr. Constantine?

Mr. CONSTANTINE. Well, would you like to have me summarize the scarcity picture on hose? I know it is one that is perhaps not pertinent to this particular hearing, but—

Senator TAYLOR. It is interesting to the ladies.

Senator CAPEHART. By the way, this painting hose, painting their legs, did not interfere with the sale of hose?

Mr. CONSTANTINE. No; we haven't worried about that much.

I have just put together here some figures which I shall be glad to mail in later, identical figures. You have to realize this, that 80 percent of women's hosiery, approximately, before the war, was made of silk; and when silk was overnight attacked by the Government, first in the form of instructing anyone who possessed raw silk to cease any further processing of raw silk other than to complete what was in process, we had to come down here very quickly with a proposal that the Government—WPB and OPA—that they issue an order promptly under which there was an allocation of rayon yarn to our industry to take the place of silk.

That allocation amounted to 15 percent of the total poundage of the rayon industry, and throughout the war the major product we made for women was rayon, based almost entirely on this allocated poundage.

Time and again we pled with WPB that they be cautious against terminating that order until in a free market there was sufficient yarn of one kind or another suitable for hosiery so that we could move from rayon into something else. But the gentleman who headed WPB last fall was in a hurry to finish the job, and he was decontrolling in great speed; and with no notice whatever to our industry, not a word of warning whatever, we woke up one morning and the allocation order was dead.

Now let us see what happens when you do things that way. Mind you, it died at the end of September, and we only started getting nylon yarn for the first time after the war that same month, and it would take about 60 days from the time that we resumed nylon production before we would be able to put any finished product into the market in any worth-while quantity. During July, August, and September we were having the allocation of rayon yarn, and usually what you received in 1 month you converted into product the following month, somewhere around a 30-day lag on the rayon.

So here is what happened: In July we produced 2,636,000 dozens of pairs. In August it was 3,362,000, quite an improvement. In Sep-

tember, 3,199,000. In October it went down to 3,000,000. That was the yarn that we got in September, the last month under the order.

Now we shall take a toboggan ride: November a million nine. December, a million three. January, a million five. February, a million three. March, a million three. That brings us up through March of this year.

Senator TAFT. Is that rayon only?

Mr. CONSTANTINE. That is rayon only.

Senator MITCHELL. Who came into the market to buy that rayon? I am assuming that rayon was available.

Mr. CONSTANTINE. What do you mean?

Senator MITCHELL. Where did the rayon go to?

Mr. CONSTANTINE. Oh, the weaving industries are crying for it. There is a demand far in excess of whatever they can produce. Our only chance of carrying on this production of rayon hosiery—being sort of interlopers, we really cut in in 1941, and under duress on the rayon industry we got this yarn. Naturally, the minute that the control was lifted they started to forget us.

Senator MITCHELL. It went into the normal trade again.

Mr. CONSTANTINE. That is right.

Senator MITCHELL. Went back to the normal trade again.

Mr. CONSTANTINE. Yes.

Senator MITCHELL. In which you may now compete?

Mr. CONSTANTINE. That is right.

Senator MITCHELL. Without the Government's allocation order?

Mr. CONSTANTINE. That is right, because they were long on the books of the producers, and we were temporary guests in their house; not always too welcome, sir.

Now, meanwhile what is happening with nylon? Taking the same months: In July, none; in August, none; in September, practically nothing. That was the first month when nylon yarn started coming our way again. We produced in September only 12,000 dozen pairs.

Now let us see whether we have been laggard or whether we have been trying to get up to where we were. I would say our objective should be to get a rate of production where the million and a half pounds a month translates itself into two and a half million dozens of production on the basis of the 10 ounces per dozen which I gave you as the measure before.

Here is what we have done: From 12,000 in September we jumped to 488,000 in October, to 1,252,000 in November, to 1,507,000 in December, to 2,219,000 in January, to 2,276,000 in February, and to 2,527,000 in March, and that is what they call Eureka! isn't it? Now, we have finally struck a rate of production which theoretically reflects a current conversion to stockings of what is the current intake of poundage of nylon.

Senator CAPEHART. That is 30,000,000 pairs a month?

Mr. CONSTANTINE. That is right.

Now, I anticipate that if in this 6-month or 7-month cycle we got a million and a half pounds, as we did, but only on the sixth or the seventh month did we strike that balance, that we will have a bulge of production for a few months, but it will start to lag and then we will fall to a steady production of approximately two and a half million dozen a month. That is the picture on nylon production.

Now, the exports of nylons. A whole lot of to-do about that. They have not at any time exceeded 2 percent. Two percent of the monthly shipments, of the total monthly shipments. They have now imposed some restraints as to which we have no objection because we think reputable exporters will know how to operate under the restraints, and it will shut off novices who perhaps were engaged in markets that cannot be called white.

Now, this black-market thing, in my opinion, is a much exaggerated something. It makes good talk.

Senator CAPEHART. You mean on hosiery or—

Mr. CONSTANTINE. On hosiery. I am talking strictly hosiery. It is the only thing I know anything about.

Senator CAPEHART. You are not talking about anything but hosiery?

Mr. CONSTANTINE. No; I am talking only about hosiery, sticking to my last. It is much exaggerated. I think the merchandising of nylons has been abominable in too many spots. A merchant puts up a sign—this happens all over the country—displayed for 4 or 5 days at a time, in which he pretends to be sorry, and he says, "Sorry—No Nylons," and that whets the appetite of the poor lady who passes by, for 4 or 5 days; and then on the fifth day, instead of the small sign, "Sorry—No Nylons," on the fifth day he has a sign that big [indicating], "Nylons."

Now, then, it is no accident that by that type of—you can call it merchandising; I don't—that by that kind of distribution you get these queues on the sidewalks. That is what the man is after. Nobody would know he was there; nobody ever paid any attention to him before, that type of distributor; but now he gets the satisfaction of having people saying, "What is that crowd? They are headed down to Jones' place." And he gets a great degree of satisfaction. But it is an unsound method of merchandising, and it is not fair to the public at large.

Senator TAYLOR. He can afford to have a window broken for the publicity.

Mr. CONSTANTINE. Or two, so far as I am concerned.

Well, may I do one thing before I am excused, Mr. Chairman?

Senator TAYLOR. Yes, sir.

Mr. CONSTANTINE. I think I can paraphrase my thoughts in just a few words, and if you will permit me I should like to do it.

Senator TAYLOR. Yes, sir.

Mr. CONSTANTINE. So far as the hosiery industry is concerned, I can assure you we had all of the inflation that we want from 1930 through 1939. We don't want any more of it. And we know, we have learned one lesson, that what goes up comes down, and we know that we cannot have a second decade of the dance, as we did in the twenties, and not have a decade of the bumps, as we had them in the thirties, and we don't want any more of it. And that is why fundamentally we are in favor of the extension of price control beyond June 30, and I would say for not more than a year, in the interest of avoiding inflation to us as manufacturers and to the consumer behind us who buys our product.

Senator CAPEHART. May I ask one question there?

Mr. CONSTANTINE. Yes.

Senator CAPEHART. Are you in favor of extending OPA even though your recommendations here that you make, I think six of them, are eliminated from the law?

Mr. CONSTANTINE. No; we would not be.

Senator CAPEHART. You would be in favor of killing it unless your amendments are adopted?

Mr. CONSTANTINE. No; I would not want to put it that way. It is not conceivable to me, Mr. Senator—this is just my opinion: it is not conceivable to me that Congress is not going to extend price control.

Senator CAPEHART. That is right.

Mr. CONSTANTINE. And it is not conceivable to me equally that Congress is going to make the mistake of extending it as is, rather than extending it with some very definite statutory provisions to make it a good boy.

Senator CAPEHART. In other words, you do not consider, then, that any amendments that we may add to the bill completely cripple the bill and eliminate its effectiveness?

Mr. CONSTANTINE. I should not think so. I would not expect that to come from you.

Senator CAPEHART. No.

Mr. CONSTANTINE. Not then.

Senator TAFT. May I ask this on the decontrol question?

Mr. CONSTANTINE. Yes, Senator.

Senator TAFT. You say 30,000,000 pairs a month. How long will it take to catch up with the demand, on that basis?

Mr. CONSTANTINE. Well, I am glad you mentioned that because I think that fundamentally, Mr. Senator, in a product such as ours and other products of similar character fundamentally your troubles in the market today are to be found in the fact that the distributor's shelves are down to nothing, and the personal wardrobes are bare, and it is going to take some time to build that up. We are going to produce in 1946—if you take the pattern of production of the first 3 months of 1946 and if you arbitrarily multiply that quarter production by four and get an estimated production for the year 1946, you will have a total production of women's hosiery of approximately 50,000,000 dozen pairs. Now, that 50,000,000 dozen pairs is about 8,000,000 dozen pairs less per annum than the prewar level that ran from 1938, 1939, 1940, and 1941. We were almost on the nose at 58,000,000 for those 4 years before the war disturbed us, and we are not going to do better than 50,000,000 in 1946.

We have a proposal before the Office of Civilian Production, a proposal which I believe, advisedly, would be accepted with only the expectable complaint of the rayon-yarn producers, and it would allow us to bridge that gap. Our proposal is a very reasonable one. We are asking for half a million pounds a month to be assured our manufacturers of women's hosiery on and beyond anything that we are now getting directly from the producers.

Senator CAPEHART. Let me ask you this: Would you say it would be safe to decontrol hosiery at the end of 6 months if during the 6 months' period the average production was 30,000,000 pair a month?

Mr. CONSTANTINE. No. Oh, no.

Senator CAPEHART. What figure would you use?

Mr. CONSTANTINE. Above that. Now we are running at the rate right now, all types—the 30,000,000 is only nylon. All types we are running at 50,000,000 now.

Senator CAPEHART. 50,000,000 a month?

Mr. CONSTANTINE. Yes; pairs.

Senator CAPEHART. All right. What would you say, then, if you maintained a 6 months' production of 50,000,000? That at the end of that time we could safely decontrol?

Mr. CONSTANTINE. I do not think so.

Senator CAPEHART. What figure would you say it would require? Sixty million?

Mr. CONSTANTINE. I want to be consistent with our proposal. We say go back to the level of 1941, with the fifty-eight million.

Senator CAPEHART. Fifty-eight.

Mr. CONSTANTINE. But I say if we reach 58,000,000 and we maintain it for a reasonable period of time——

Senator CAPEHART. Say 6 months?

Mr. CONSTANTINE. Six or less. If——

Senator CAPEHART. Suppose the law stated that any time that you can manufacture 60,000,000 pairs of hose for a 6-month period that the industry would automatically be decontrolled. Do you think——

Mr. CONSTANTINE. Well, that is a good illustration, Senator, of what I mean by setting up a statistical measure which operates automatically.

Senator CAPEHART. That is what you like?

Mr. CONSTANTINE. That is what we like. If you do not do something of that kind you always have to go back and debate it, and it is a matter of different judgment.

Senator CAPEHART. Well, that is my position, sir, as you know.

Mr. CONSTANTINE. Yes.

Senator CAPEHART. We have been debating for days.

Mr. CONSTANTINE. That is my proposal.

Senator CAPEHART. That is why I ask if the 60,000,000 would be satisfactory to the industry.

Mr. CONSTANTINE. Yes, sir.

Senator TAFT. Six months?

Mr. CONSTANTINE. Yes.

Senator CAPEHART. For 6 months.

Mr. CONSTANTINE. Yes. And I think 58,000,000 would be enough.

Senator CAPEHART. Yes.

Mr. CONSTANTINE. Now, then, the next thing is, we think you ought to fix a definite date and say there is not going to be any more price control beyond that date on this, that, and the other, or on everything.

Senator TAFT. We can say that, but we cannot——

Mr. CONSTANTINE. But you cannot prevent Congress tomorrow from changing its mind.

Senator TAFT. But we cannot promise you we will keep to what we say. It is a new Congress.

Mr. CONSTANTINE. All right. Now then, we think it has absolutely reached the point now where on products which are governed by the freeze order of March 1942—that is over 4 years ago—frozen with no advance warning at all, some price relief must be given. I don't know

of a businessman who woke up on May 6, 1942, with any expectancy that the morning paper would tell him that his prices were frozen as of March previous. Now, you cannot go on for four solid years of creeping costs, creeping upward, both labor and material, and expect production. You are stifling production and you are inviting all kinds of devices of escape. Now, the decent thing to do is to recognize this fact and to establish a line that is a fair line. We are content——

Senator TAFT. Just a minute.

Mr. CONSTANTINE. Mr. Senator, pardon me. We are content if they will give us, as I think they are going to give us in our case—give us a chance to increase those frozen ceilings by the amount of authorized increases in material ceilings and by the amount of increase in direct labor. And we will take their definition for direct labor.

Senator TAFT. You say, however, that there is already a dollar-and-cent ceiling?

Mr. CONSTANTINE. No; they have given us this on our GMPR ceilings. I have not seen the order yet.

Senator TAFT. You stated, as I understood, that you were satisfied with a dollar-and-cent ceiling?

Mr. CONSTANTINE. That is right.

Senator TAFT. What you are objecting to is frozen ceilings. They are still frozen on the 1942 level; with perhaps some changes?

Mr. CONSTANTINE. Very little. The act itself provides a few means for adjustment; but whatever was done in that line any alert manufacturer had certainly done in the year 1942. He has not been doing any more since 1942. You could discontinue a number and start another. You could undertake a new construction which you never made, but which a competitor was making, and you could automatically capture his ceiling. By devices of that kind, manufacturers did generally what the law permitted them to do; and that took place in 1942. Little of that has taken place since 1942. There is a big backlog of increases in labor and materials that you have got to recognize and have got to cover, if you want to do the fair thing and want to get protection.

The next thing—and if I had diplomatic language I would use that—is to terminate this MAP on June 30, 1946. We have our troubles with OPA, but we have always managed to get along with them. They have a rotten job. I would not want it. But we argue our case and get along pretty well. But I can tell you confidentially that I don't think they like MAP too much, but they do not dare to come out and say that to you. If somebody would take it away—it is like a bear; they have got hold of its tail, and if you would take it away from them they would be very grateful to you.

Senator CAPEHART. Maybe we can accommodate them.

Senator BUCK. You do not think that covers this whole subject of prices a little, do you?

Mr. CONSTANTINE. I will tell you why. If you would take it away, it would dispose of the most theoretically perfect subject that works the most imperfectly of anything you have ever seen on the books of any administrative agency.

I suppose you have seen the forms that have to be filled out. I think we have issued, since our industry went under MAP, 16 explanatory bulletins that will average, I would say, at least four pages each, trying to explain to our people what is the least they have to

do and why; and if any of them understand it, they are too good for me; I don't understand it. I have a "walking dictionary," and I leave them all to my walking dictionary.

If you are going to have decontrol, if to take your buggy clear up to the cliffs of Dover, and then shove it over the edge to strike the channel—if that is not good sense, then you have to cut a road down the side of those chalky cliffs to get the buggy down to the channel, and that means that you have to have some method of gradual decontrol, because if you carry on full tilt it will be rather disastrous. But there ought to be some device in this new law that will impose statutory obligations on OPA to move gradually in that direction.

Senator CAPEHART. Were you here this morning when we were discussing the matter with Mr. Small?

Mr. CONSTANTINE. No; I was not. I am sorry. I just arrived this noon.

That is all I have to present, Mr. Chairman.

Senator TAYLOR. Thank you very much. You have been a very fine witness.

Senator CAPEHART. We are glad to have that rumor.

Mr. CONSTANTINE. That secret. I told to you in private.

Senator CAPEHART. I should have said that secret.

Senator TAYLOR. The next witnesses are Mr. Patrick Smith, Mr. Arthur Mason, and Mr. C. T. Houghten.

How do you gentlemen propose to present this testimony? Do all three of you have something to say?

Mr. SMITH. I am going to speak first, sir, if that is agreeable to the committee. We each have a little different story to tell. Three people represent three different situations, all of which, when put together, make the whole.

Senator TAYLOR. The other two gentlemen may come up to the table.

STATEMENT OF PATRICK J. SMITH, ATTORNEY, INDIANAPOLIS, IND.

Mr. SMITH. My name is Patrick J. Smith. I am an attorney of Indianapolis, Ind., and together with other counsel, represent certain work-glove manufacturers.

Together we have drafted a suggested amendment to section 925 of the Emergency Price Control Act, which amendment I will refer to again in the course of my statement. Prior, however, to any further reference to the amendment I should like to give the committee a brief background of what the proposed amendment to the statute seeks to do.

As the committee remembers, on the 28th of April 1942, the general maximum price regulation was promulgated to become effective on May 11, 1942. It was subsequently amended from time to time, particularly by amendment 23, issued on August 20, and by amendment 38, on December 4, 1942.

The general maximum price regulation fixed no schedule or list of dollar-and-cent prices for commodities, but provided in substance that a seller's maximum price for any commodity or service should be highest price charged by the seller during March 1942 for the same commodity or service, or if no such charge was made, then the

highest price charged for a similar commodity or service most nearly like it.

The regulation also defined the term "the highest price charged during 1942" as the highest price which the seller charged for a commodity delivered or service supplied by him during March 1942 to a purchaser of the same class.

The regulation further provided that if before April 1, 1942, the seller raised his prices for a commodity to all his classes of purchasers—and if during March he delivered the commodity at the increased price to at least one class of purchasers—the highest price charged during March shall be deemed to be the seller's increased offering price to such class of purchasers for deliveries or supplies of services during March of 1942.

All of the work-glove manufacturers involved herein issued to the trade during March of 1942 their regular quarterly price lists which carried increased prices for work gloves.

All of the work-glove manufacturers involved herein sold and delivered certain styles of their work gloves pursuant to such increased price during March of 1942, but did not sell and deliver each style of glove which they manufactured. In fact it was probably physically impossible to do so. The Indianapolis Glove Co. manufactured substantially in excess of 500 different styles of work gloves. Only 58 of these styles were sold and delivered during March 1942 at the increased prices. This was true for several reasons.

They had outstanding many prior commitments for delivery of gloves, some of which ran back to September 1941.

Many of the retailers who were purchasers from the manufacturer had stocked up, when prices began to rise in 1941, on the more popular styles of gloves in order that they would have merchandise available for their trade.

Thus, the manufacturers involved herein delivered during March 1942 only a portion of all of their styles of work gloves at the increased prices as published by the lists of prices issued in that month.

It has been the practice and custom in the work-glove industry for more than 25 years to price work gloves on a so-called base price; that is to say, that when a work-glove manufacturer learns the cost of 8-ounce canton flannel, then he computes his price for gloves made out of lighter or heavier flannels.

It is very much like pricing in the automobile field where a stock car is priced at a certain dollar figure and then, as bumpers and windshield wipers and other accessories are added, the price is increased by an addition to the cost of the stock car. So it is in the work-glove business.

A 10-ounce Canton-flannel glove costs more than an 8-ounce glove because 10 ounces costs more than 8 ounces. If a leather palm is added to an 8-ounce glove it costs more than if a flannel palm were used. If a gauntlet wrist is added instead of a knit wrist the additional cost of the gauntlet wrist is added to the cost of the plain 8 ounce Canton-flannel glove.

Congress required the recognition of business practices and customs by providing in section 902 (h) of the Emergency Price Control Act as follows [reading]:

The powers granted in this section shall not be used or made to operate to compel changes in the business practices, cost practices, or methods or means or aids to

distribution established in any industry * * * except where such action is affirmatively found by the Administrator to be necessary to prevent circumvention or evasion of any regulation, order, price schedule, or requirement under this Act.

After general maximum price regulation was promulgated, various work-glove manufacturers studied their records of sales and deliveries made during March 1942.

Pursuant to the long-established business practice and customs of the work-glove industry of differential pricing, these manufacturers concluded that the revised price lists of March 1942 represented their highest prices charged for all styles within the meaning of the law and regulation.

This practice was generally followed by the industry with the knowledge and affirmative approval of the Office of Price Administration. In fact, one work-glove manufacturer represented here was assured by officials of the Work Clothing Unit Division of the Office of Price Administration that its published March 1942 price list represented its lawful ceiling prices under the law and regulation.

The Indianapolis Glove Co., after the issuance of general maximum price regulation, had many consultations with other members of the work-glove industry and representatives of Office of Price Administration in Washington, and Office of Price Administration confirmed the earlier conclusion which the industry had reached.

Because work gloves were needed in the war effort all manufacturers continued to manufacture gloves and sell them at what they honestly believed to be their ceiling prices under the law, regulation, press releases, and statements of many officials of the Office of Price Administration.

In January of 1943, a representative from the Office of Price Administration called on the Indianapolis Glove Co., and after searching its books examining many styles of work gloves and customers' invoices and after talking with officials of the company, the representative assured the company that its pricing structure was in accordance with the law and applicable regulations.

Nothing further was heard from Office of Price Administration until March 2, 1943, at which time Indianapolis Glove Co. was notified that the prices which it was then charging for certain of its work gloves were in excess of the maximum prices established pursuant to the Emergency Price Control Act, though there had been no change in prices since March 1942.

Upon receipt of this notice, Indianapolis Glove Co. discontinued the shipment of all its gloves and went into further conferences with representatives of OPA. As a result of these conferences the Indianapolis Glove Co. on March 18, 1943, received a letter from the Office of Price Administration, from which I quote:

We have sought but not yet obtained a clarification of your position from the regional and national offices. We have been advised, however, that information is being assembled by the national office for use in preparation of a specific regulation establishing maximum prices for work gloves applicable to the entire industry. Believing that the present situation constitutes a serious impediment to the production of goods and materials essential to the prosecution of the war, we see no alternative other than to advise you to proceed with shipments on the basis of your March 21, 1942, list prices pending a definite ruling and decision by the Cleveland and Washington offices. It is understood that this does not legalize or validate the prices charged from May 11, 1942, the date the general maximum price regulation became effective, up to the present time.

The Indianapolis Glove Co. continued to sell its gloves pursuant to the authority granted in this letter until August 28, 1943, at which time it received another letter from the Office of Price Administration repudiating the March 18 letter.

From August 28, 1943, the date of receipt of the latter letter, Indianapolis Glove Co. shipped no gloves about which there was any price controversy.

Despite this letter of March and despite the assurances of the representatives of the Office of Price Administration given in January, the Office of Price Administration on October 6, 1943, filed a complaint against the Indianapolis Glove Co. alleging that the company had exceeded its maximum prices, and asking for triple damages in the sum of \$150,000. Mind you, the suit covered the period of 12 months beginning October 7, 1942, during all of which period the company was operating under the assurances from OPA officials heretofore recited. In addition, from March 18, 1943, to August 28, 1943, the company was operating under the specific authority and assurance contained in the letter from which I quoted. After August 28, 1943, the company made no deliveries.

Corresponding litigation was instituted against Boss Manufacturing Co., Wells Lamont Corp, and Good Luck Glove Co. These four companies sued, manufacture more than half of all work gloves produced. The claims for triple damages aggregate three-quarters of a million dollars. All of these cases are still pending.

In two of these cases, two separate United States district courts agreed with the manufacturers. In one the circuit court of appeals agreed initially, but subsequently felt constrained to reverse itself because of a decision of the Supreme Court which passed on a different regulation dealing with sand and gravel and on wholly different facts.

The present status of the litigation is too complicated to be recited in the limited time available to us.

In the entire field of law the genesis of liability is a wrong or fault. This applies to all actions whether based on the common law or statute and whether sounding in contract, tort, or in criminal or administrative proceedings.

In the four law suits mentioned the OPA has disregarded this fundamental principle and has asserted liability where neither wrong nor fault exists. Such attempt is not only grossly unfair to these defendants but threatens the integrity of the whole administrative process and the administration of justice.

At the time of the alleged violations there was no reason for defendants to suspect that they would find themselves in their present predicament. They naturally expected a harmonious price structure whereas there resulted a price distortion so incredible that general maximum price regulation had to be superseded by MPR 506. Actually, the work-glove ceiling prices as insisted upon by OPA in this litigation favor that individual who repudiated all previous contractual obligations and confined his deliveries in March 1942 to current purchasers. The manufacturer who honored his previous contracts incurs all the penalties. In many instances, higher quality merchandise must be sold at lower prices than lower quality merchandise. There are numerous other distortions impossible to have foreseen.

Senator TAFT. If you put out for March 1942, a price list and if you happened in March to ship a particular kind of glove under that price

list, then that was the price for all time to come. If you did not happen to ship under that price list, but if you happened to ship under a previous contract on the basis of the previous year, then that became the highest price?

Mr. SMITH. That is correct.

Senator TAFT. So that the result was that the higher-priced glove could have a ceiling price below a lower-priced glove.

Mr. SMITH. That is correct; and that has happened many times in the industry.

Senator TAFT. Has that finally been corrected?

Mr. SMITH. It has been corrected by Maximum Price Regulation 506 which fixed a dollars and cents price. In the glove industry they have a practice that the people who are the distributors buy long in advance on the more popular items. A husking glove is bought ahead of the husking season. The consumer wants it in the fall, so that the retailer has to have the husking gloves available in late summer or in early fall. They are shipped in the spring and early summer. The manufacturer has to sell them sometime in December.

In our particular case, in March 1942, we were making deliveries under prior commitments based on prices which prevailed in November and December of 1941. None of the people in the glove industry felt it advisable to repudiate their prior contract. If they had they could have made current shipments in March of 1942 at increased prices.

Senator TAFT. Nobody could have come in after March 1942 and bought from you any gloves except at the higher price?

Mr. SMITH. That is correct; yes.

No defendant has ever sold a pair of work gloves at a price which it did not honestly believe, and have every reason to believe, was the lawful ceiling price. It must be remembered that none of the defendants has ever resorted to evasion or attempted any sale in violation of law. These are not black-market cases.

These cases do not represent situations where people profit from their own wrong because there was no wrong. Further, the amount of the alleged overcharges has not been retained by defendants. All have paid excess profits taxes and some have made renegotiation refunds. The net result is that the greater part if not all of the claimed liability has since been recaptured by the Government.

Thus in reality we have this situation: The members of the work glove industry construed the regulation and believed that they were pursuing their business in accordance with the provisions of the regulation, and in this they were confirmed by Office of Price Administration officials as hereinabove recited.

In preparing this proposed amendment, we have believed that our cause is a righteous one. This amendment, if passed, will do but one thing: In those cases where the violations were nonwillful and where practical precautions were taken to avoid a violation, the damages and penalties will not be assessed.

We do not view this amendment as special legislation because it will apply to all persons who have sold commodities or services for use in the course of trade or business, where there has been nonwillfulness and practical precautions have been taken.

In other words, the amendment seeks to make good faith a full and complete defense instead of a partial defense as it now is in section 925 (d).

Senator TAFT. Does this dollars-and-cents-ceiling business substantially recognize your 1942 prices as being correct?

Mr. SMITH. I could not say with respect to each particular price, but I am advised that MPR 506 fixes a price that equals or exceeds in almost every instance the price at which these glove manufacturers sold in March of 1942.

Mr. MASON. Our MPR 506 in general exceeds prices of 1942.

Senator CAPEHART. Does it likewise exceed the prices under which they are suing you for triple damages?

Mr. SMITH. Oh, yes. They are suing us in some cases on our December and September 1941 prices.

Senator CAPEHART. They permitted a ceiling higher than that upon which they are suing you and asking triple damages?

Mr. SMITH. That is not true of each of the 800 styles, but it is true of a great majority.

Senator TAFT. Does the OPA recognize the relationship of the different types of gloves?

Mr. SMITH. Yes. As a matter of fact, many of these people who are appearing here furnished men to act on the Advisory Committee and work with OPA in fixing these differential prices and fixing prices for MPR 506.

The amendment would not create inflationary tendencies, because it would not affect the price to the consumer, and there would still be the necessary insulation on consumer prices remaining.

We appeared before the Banking and Currency Committee of the House and made the same proposal for amendment and substantially the same presentation being made here today. At the conclusion of that hearing certain members of that committee made comments indicating that their sense of fairness and justice had been shocked. At a subsequent hearing a member of the committee made the following statement to a high official of OPA. I quote from page 1771 of the transcript. Referring to these four lawsuits he said [reading]:

It is the most outrageous case that has been presented to this committee and surely is not conducive to the support which Mr. Porter says must be given to the Office of Price Administration enforcement by business in general, if we are going to make a success of this.

Again:

I just cannot justify things like that, and you cannot justify cases of that nature.

To which statement the OPA official replied:

There are certainly aspects of this case which are extremely unfortunate, if true—

I assure you gentlemen that there is no question of the facts. Again on page 1772 I find this stated by a committee member [reading]:

If that had not been, if they had disregarded their commitments and their contracts and not delivered these goods, they would not have been in violation of this regulation. I was just thinking that they were doing what men ought to do to fill their contracts.

To which statement the OPA official replied:

Certainly.

Encouraged by the attitude of the members of the House committee, some of whom urged us to do so, we sought to confer with OPA officials looking to some amicable adjustments of the four law-

suits. Numerous trips to Washington have been made and several conferences have been held with enforcement officials of OPA at one of which Mr. Porter was present. We were assured that the problem would be given prompt consideration and have been told repeatedly that the matter was still under discussion in the agency. Up to this time no action has resulted.

These manufacturers have pursued judicial and administrative procedures without success. Their only remaining avenue is the Congress.

(The amendment referred to and submitted by the witness is as follows:)

PROPOSED AMENDMENT TO EMERGENCY PRICE CONTROL ACT OF 1942—ACT OF JANUARY 30, 1942 (CH. 26, 56 STAT. 23), AS AMENDED

AMENDMENT OF SUBSECTION (E) OF SECTION 108, TITLE 1 (58 STAT. 640,) TITLE 50 (USCA APP. SEC. 925 (E))

[Matter in black brackets deleted; matter italicized added]

SEC. 925. (e) (1) If any person selling a commodity violates a regulation, order, or price schedule prescribing a maximum price or maximum prices, the person who buys such commodity for use or consumption other than in the course of trade or business may, within one year from the date of the occurrence of the violation, except as hereinafter provided, bring an action against the seller on account of the overcharge. In such action, the seller shall be liable for reasonable attorney's fees and costs as determined by the court, plus whichever of the following sums is the greater: (1) Such amount not more than three times the amount of the overcharge, or the overcharges, upon which the action is based as the court in its discretion may determine, or (2) an amount not less than \$25 nor more than \$50, as the court in its discretion may determine: *Provided, however,* That such amount shall be the amount of the overcharge or overcharges or \$25, whichever is greater, if the defendant proves that the violation of the regulation, order, or price schedule in question was neither willful nor the result of failure to take practicable precautions against the occurrence of the violation. For the purposes of this section the payment or receipt of rent for defense-area housing accommodations shall be deemed the buying or selling of a commodity, as the case may be; and the word "overcharge" shall mean the amount by which the consideration exceeds the applicable maximum price. If any person selling a commodity *for use or consumption other than in the course of trade or business* violates a regulation, order or price schedule prescribing a maximum price or maximum prices and the buyer [either] fails to institute an action under this subsection within thirty days from the date of the occurrence of the violation [or is not entitled for any reason to bring the action], the Administrator may institute such action on behalf of the United States within such one year period. *In such action the seller shall be liable to the same extent as though the action had been brought by the buyer as hereinabove provided.* If such action is instituted by the Administrator, the buyer shall thereafter be barred from bringing an action for the same violation or violations. Any action under this subsection by either the buyer or the Administrator, as the case may be, may be brought in any court of competent jurisdiction. A judgment in an action for damages under this subsection shall be a bar to the recovery under this subsection of any damages in any other action against the same seller on account of sales made to the same purchaser prior to the institution of the action in which such judgment was rendered.

(2) *If any person selling a commodity for resale or for use or consumption in the course of trade or business violates a regulation, order, or price schedule prescribing a maximum price or maximum prices the Administrator may, within one year from the date of the occurrence of the violation, bring an action against the seller on account of the overcharge. In such action the seller shall be liable for whichever of the following sums is greater: (1) such amount not more than three times the amount of the overcharge or the overcharges upon which the action is based, as the court in its discretion may determine; or (2) an amount not less than \$100 nor more than \$1,000, as the court in its discretion may determine: Provided, however, That the seller shall not be liable in any amount for an overcharge or overcharges or damages or penalties if the said seller proves that the violation of the regulation, order, or price schedule in question was neither willful nor the result of failure to take practicable precautions against the occurrence of the violation. Any action under this subsection by the*

Administrator may be brought in any court of competent jurisdiction. A judgment in an action for overcharges, damages, or penalties under this subsection shall be a bar to the recovery under this subsection of any overcharges, damages, or penalties in any other action against the same seller on account of sales made to the same purchaser prior to the institution of the action in which such judgment was rendered.

Senator CAPEHART. Do amendments 23 and 38 solve your problem?

Mr. SMITH. We thought they did, but by a peculiar construction there is a variance from the press releases which have been given out. They in substance provide that if, on or before April 1, 1942, there was a price rise and a delivery made to at least one class of purchasers, then that price rise would apply; 23 and 38 are about the same; 38 is a rewording of 23, but is about the same for our purposes.

The press release which was issued on the 5th of December 1942, provided, in part, in explaining 23 and 38, that [reading]:

Sellers who made general price increases prior to April 1 are authorized by the Office of Price Administration today to apply the increase to ceiling prices for goods and services delivered last March under long-term contracts.

The effect is to allow one who, last March, delivered at prices established by a contract signed many months before and who raised his prices generally before April 1, to bring his prices on the expiration of the contract in line with the increased prices he was charging in March.

Senator CAPEHART. Does not that cover your case?

Mr. SMITH. We think it ought to, but we have been unable either to convince the Enforcement Section or the Interpretative Section of OPA that this press release means what it says. We have had repeated conferences with local officials.

Going back to December 5, 1942, even going back to August, when amendment 23 first came out, we believed, under a fair construction and the very construction which OPA has placed on press releases, that the ceiling prices were the prices that appeared on our March price list, following the press release, and we pursued that course with the consent and advice of OPA officials, not only local but regional and national. We have got letters, and Mr. Mason will read you an affidavit. One of his men even came to Washington, and yet despite all of that they turned around and sued us for triple damages amounting to three quarters of a million dollars.

We think that OPA in its characterization of these cases has hit the nail squarely on the head in a conference which we had. They were characterized to us as horror cases. We think that is apt.

STATEMENT OF A. H. MASON, VICE PRESIDENT, WELLS LAMONT CORP., CHICAGO, ILL.

Mr. MASON. Mr. Chairman and members of the committee, my name is A. H. Mason. I am the executive vice president of Wells Lamont Corp. with its principal office in Chicago, Ill., engaged in the manufacture of gloves and mittens, including work gloves. The company owns and operates manufacturing plants in Oregon, Missouri, Iowa, Illinois, Mississippi, and Tennessee.

I have spent the last 31 years in the glove business and am familiar with its historical customs and practices.

Senator MITCHELL. Is that company one of the companies mentioned by Mr. Smith?

Mr. MASON. Yes, sir. I heard the statement of Mr. Patrick J. Smith presented to this committee earlier today. That statement

correctly described the historical customs and practices of the work-glove industry relative to the matter of determining prices for work gloves based upon the cost of canton flannel, leather, and other materials, with the addition and subtraction of differentials because of variations from base models.

Periodically prior to, and on December 1, 1941, our company issued a price list in which the historical customs and practices of price differentials were applied. On January 11, 1942, because of the increases in material costs, we were obliged to write out customers, who are located in every State in the Union, withdrawing our December prices. On March 17, 1942, we issued another price list covering 207 styles or models of gloves, again giving effect to the historical customs and practices of price differentials.

During the remainder of the month of March 1942 we sold \$250,000 worth of gloves at the March 1942 prices. Some styles were shipped in March 1942 at the December prices, but such shipments were made only in fulfillment of firm commitments made before the withdrawal of those prices in January 1942.

In April 1942 general maximum price regulation was promulgated by OPA, effective May 11, 1942—in effect freezing prices at the March 1942 level.

There was substantial doubt as to what was embraced in the term "commodity" used in general maximum price regulation. After much study, our president, Mr. W. O. Wells, came to Washington to learn if the prices quoted in our March 1942 list represented our lawful ceiling prices. On June 3, 1942, Mr. Wells conferred at length with Mr. Martin J. Cardon, acting chief of the Work Clothing Unit Division of OPA, and Mr. E. Glenn Elliot, his assistant. These gentlemen had been designated by OPA to deal with work-glove prices. Mr. Wells was advised by the two named officials that the lawful ceiling prices on the company's gloves were those quoted in its March 1942 price list.

Following that conference the company proceeded to sell its various styles and models at the prices quoted in its March 1942 list and as approved by the two named officials. Mr. Wells also advised other work glove manufacturers of the ruling made by Messrs. Cardon and Elliot.

Thereafter Mr. Wells was appointed a member of the Industry Advisory Committee of OPA and served in that capacity for several months.

Some work-glove manufacturers had not issued new price lists in March 1942. At the request of OPA, Mr. Wells; Mr. Elsey, of Indianapolis Glove Co; Mr. Waller, of Boss Manufacturing Co.; and other members of the Industry Advisory Committee spent much time in an effort to prepare a schedule of dollars-and-cents prices, based on the average prices shown by the March 1942 price lists of those who had issued them. Such prices would be applicable to the entire industry and bring into balance the prices of those manufacturers who had not published new price lists in March 1942. Other service was requested of the company by OPA and WPB all of which was cheerfully and gratuitously furnished.

From and after June 3, 1942, when Mr. Wells was given the assurances by Messrs. Cardon and Elliott, our company proceeded to sell gloves at the prices approved by them and at no time sold gloves at

prices higher than those Mr. Wells was assured were proper. At no time was any hint or suggestion received that the company's practice was improper until in July 1943, 13 months later, when a representative of OPA visited our offices to investigate our prices. Shortly thereafter we received a letter from OPA in effect repudiating the assurances received from Messrs. Cardon and Elliott and asserting that in some instances we had sold gloves in excess of lawful ceiling prices. We promptly discontinued the sale of all questioned items. In August 1943 we were sued by OPA for substantial damages. The suit is still pending.

We take the position that under the then existing circumstances, when work gloves were in unprecedented demand in connection with the war effort, when much uncertainty, confusion, and conflict of opinion existed as to the proper interpretation of General Maximum Price Regulation, and when we were being pressed to increase production, our company exercised sound judgment in seeking guidance from the very officials who had been designated by OPA to deal with work-glove prices and in accepting and acting upon the assurances given by them.

To confirm my statements concerning the assurances received by Mr. Wells from the designated officials of OPA I desire to read a copy of an affidavit furnished us by one of them. It follows:

AFFIDAVIT OF E. GLENN ELLIOTT

E. Glenn Elliott, being first duly sworn, on oath deposes and says that—

On June 3, 1942, affiant was employed by the Office of Price Administration in Washington, D. C., and on that date was assistant to Martin J. Cardon, then Acting Chief of the Work Clothing Unit Division of the Office of Price Administration; that subsequently, on June 15, 1942, affiant succeeded Cardon as Acting Chief and in December 1942 became Chief of the Work Clothing Unit division of OPA, from which position affiant resigned on March 1, 1943.

On June 3, 1942, W. O. Wells, president of Wells-Lamont Corp., called at the Office of Price Administration in Washington to discuss the application of the provisions of the general maximum price regulations to gloves manufactured and sold by that company. Wells was referred to Cardon and affiant.

Cardon and affiant examined samples of gloves from several classifications presented by Wells, the company's 1941 catalog (No. 33) and the December 1, 1941, and March 17, 1942, price lists, and reviewed the pricing principles employed by the company in establishing its price ceilings on all of its gloves.

Wells stated to Cardon and affiant that the separately numbered styles and the prices shown for them on the March 17, 1942, price lists represented only:

The highest prices at which the styles were shipped in March 1942;

The highest prices at which the styles not shipped in March 1942 were quoted to customers by means of the company's March 17, 1942, price list; or

The prices determined for the styles, shipped during March 1942 at the lower December 1941 prices, by the application of traditional or customary price differentials with respect to the prices at which another style or other styles within the same class of gloves were shipped in March 1942.

At the conclusion of the discussion, Cardon and affiant stated to Wells that the provisions of the general maximum price regulation applied to all gloves manufactured and sold by the company; and that its ceiling prices on all of its gloves had been established, under the provisions of the general maximum price regulation, at the prices quoted in its March 17, 1942, price list. Cardon and affiant further stated to Wells that ceiling prices for its styles introduced for sale after March 1942, were properly established, under the provisions of the general maximum price regulation, where such prices were determined by the application of traditional or customary price differentials with respect to the prices at which another style or other styles within the same class of gloves were shipped in March 1942.

Up to March 1, 1943, the date of affiant's resignation from the Office of Price Administration, affiant did not, nor did anyone else on behalf of OPA, make any

change or communication with Wells-Lamont Co. regarding any change in Cardon's and affiant's interpretation of the provisions of the general maximum price regulation with respect to the gloves manufactured and sold by Wells-Lamont Corp.

And further affiant saith not.

Many styles of work gloves were shipped in March 1942 at the prices shown on our March 1942 price list. The demand for work gloves for the war effort was so great that we could have employed our entire production facilities economically and profitably in making only those styles. Relying on the assurances of Messrs. Cardon and Elliott we continued to produce other styles, including those shipped in March 1942 at lower prices in fulfillment of prior commitments. Had we been able to anticipate the later action of OPA we would have so limited the number of styles produced and thus have avoided the lawsuit. Unfortunately crystal balls to foretell the future are not standard equipment in work-glove factories.

We confidently assert that we took all practical precautions to avoid violating the act and relevant regulations, that our alleged violation was not willful or intentional, that we acted in utmost good faith and that the subsequent reversal of position by OPA and its suit for damages were unfair, unjust, and inconsistent with the purpose and intent of Congress when it passed the Emergency Price Control Act.

For the reasons recited our company supports the amendment presented by Mr. Smith. We appealed to OPA for guidance and acted upon the assurance given by its officials. More than a year later OPA repudiated the authority of the officials designated by it, and upon whose authority we had every reason to believe we had a right to, and actually did, rely. We are confident that we have done all that a prudent businessman could be expected to do to avoid difficulty. We have made every effort to obtain relief from OPA but so far without success. Therefore we come to Congress, which is the only body in position to save us from injustice.

I thank you for your courtesy.

Senator TAYLOR. Thank you.

STATEMENT OF C. T. HOUGHTEN, PRESIDENT, GOOD LUCK GLOVE CO., CARBONDALE, ILL.

Mr. HOUGHTEN. Mr. Chairman and members of the committee, my name is C. T. Houghten. I am president of the Good Luck Glove Co., Carbondale, Ill.

On March 20, 1942, we issued a new price list to our customers fixing the prices on a total of 234 models or styles of work gloves. This was before the general maximum price regulation was adopted. This price list reflected the increased costs in labor and raw materials which had taken place in 1941 and the early part of 1942. The work-glove industry consumes more than 85 percent of all cotton flannel produced, plus substantial quantities of cotton jersey cloth, twills, drills, sheetings, drapery cloth, and tubing. During the period referred to, due to the increased cost of raw cotton, the cotton cloth used in making work gloves increased from 13 cents a yard to 19 cents a yard; leather increased from 8 cents a foot to 13 cents a foot; and labor costs increased an average of 15 percent.

The Office of Price Administration admitted in court that Good Luck never sold a work glove at a price higher than fixed in this March 1942

list. During March 1942 the company shipped a large number of its work-glove models at the March 1942 prices and accepted orders at those prices for over \$100,000 worth of work gloves. The Office of Price Administration makes no complaint about the March prices being effective as to those work gloves which were shipped during March 1942 at the March prices.

Some of the glove models mentioned in the March 1942 price list were not shipped at all during March 1942, and the Office of Price Administration admits that the March prices may lawfully be charged as to these models.

However, during March 1942, the company was making deliveries against contracts made in 1941 at prices lower than their March price list, and, in a number of instances, the company did not ship these particular models at the March prices. When these contracts were completed, the company, in good faith, believed that it had a right to charge its March 1942 prices on new orders accepted at those prices during March 1942.

A year later the Office of Price Administration claimed that our company had violated the law when it sold and delivered, at the March 1942 prices, those particular models of work gloves which had been shipped during March 1942 at lower prices only under pre-existing contracts.

Then, in November 1943, the Office of Price Administration sued our company for \$300,000.

We are firmly convinced that the Office of Price Administration is not administering the law as per the intent of Congress.

The district court held that we had not violated the law or the regulation and that our company had, in good faith, complied with the law. This judgment was affirmed by the circuit court of appeals (*Bowles v. Good Luck Glove Company* (52 F. Supp. 942, affirmed 143 F. 2d 579)).

Later the circuit court of appeals felt compelled, under a decision of the Supreme Court, in a rock and gravel case, to reverse its previous decision (*Bowles v. Good Luck Glove Company* (150 F. 2d 853)).

The Office of Price Administration's own regulations caused the company to believe in good faith it could charge its March 1942 prices when its old contracts were completed. The regulation also caused two Federal courts to hold that the company was right.

Amendments 23 and 38 have already been mentioned by Mr. Smith. The Office of Price Administration told the public what these amendments meant in these words—press release dated December 5, 1942, Office of Price Administration 1223 [reading]:

Sellers who made general price increases prior to April 1 are authorized by the Office of Price Administration today to apply the increase to ceiling prices for goods and services delivered last March under long-term contracts.

The effect is to allow one who, last March, delivered at prices established by a contract signed many months before and who raised his prices generally before April 1, to bring his prices on the expiration of the contract in line with the increased prices he was charging in March.

Notwithstanding all this, the Office of Price Administration is suing Good Luck Glove Co. for doing nothing more than charging its published March 1942 prices.

Furthermore, under the Office of Price Administration's claims from November 1942 to November 1943, higher-cost work gloves must be sold for less than lower-cost work gloves, if the lower-cost

work gloves happened to be shipped during March 1942, at the new prices, while the higher-cost work gloves were shipped only under old contracts.

For example, the company shipped a 6-ounce-weight white cotton work glove at \$1.27½ per dozen pair, the March 1942 price, but it shipped a 7-ounce, heavier-weight glove only under preexisting contracts at \$1.25 per dozen pair. The Office of Price Administration says that during 1942 and 1943 the 7-ounce work glove must be sold for less than the 6-ounce work glove.

It is inconceivable that the intent of Congress was to penalize citizens who had a bona fide price list in March 1942 and who never sold in excess of that price list, and who at all times tried in good faith to comply with all of the Office of Price Administration's regulations.

For these reasons the Price Control Act should be amended so as to provide that the seller shall not be liable if the seller proves that the violation of the regulation was neither willful nor the result of failure to take practicable precautions against the occurrence of the violation.

In our particular case, notwithstanding our good faith throughout, if the Office of Price Administration succeeds in its claims, most of the working capital accumulated through the last 37 years will be wiped out.

I thank you for your courtesy.

Now, Mr. Chairman, I would just like to give you two illustrations of how the OPA is applying the law and the regulations to many of the 234 numbers that we had on our March 1942 price list.

Since you are not in the glove business, some of the things I say will not be clear. They will sound technical; but if any question comes to mind, ask it, because we want to make this situation clear.

You have before you a sample of glove No. 236. These gloves vary in price, depending on the weight of cloth used in their construction. The heavier the cloth the higher the price; the lighter the cloth the lower the price. This glove, No. 236, is made out of cloth that weighs 6 ounces per yard; and that number was on our price list in March 1942 at \$1.275 per dozen pairs. We shipped some of those gloves in March 1942 at \$1.275 a dozen pairs, and the OPA says we are all right on that glove.

Glove No. 237, of which you have a sample, is made from cloth that weighs 7 ounces per yard. This number was on our March price list at \$1.375 per dozen pairs, but we did not ship any of these gloves in March 1942 at \$1.375 per dozen pairs, but we shipped some on old contracts effective in 1941 when the price was \$1.25 per dozen pairs.

The OPA is suing us for 12½ cents per dozen on every dozen of these gloves that we shipped in 1942 and 1943 at our published 1942 price.

Senator CAPEHART. At \$1.375?

Mr. HOUGHTEN. Yes.

Senator HICKENLOOPER. In other words, I understand that the 7-ounce gloves, the heavy glove that you shipped in March 1942, were all shipped to fill unfilled orders at the old \$1.25 price that you had not been able to fill?

Mr. HOUGHTEN. Yes, sir.

Senator HICKENLOOPER. And you were merely filling those old orders at the contract price you had made a year before; is that correct?

Mr. HOUGHTEN. Yes, sir.

Senator HICKENLOOPER. As a result of filling those old orders you did not ship any of these gloves in March 1942 at the published price of \$1.375?

Mr. HOUGHTEN. That is right. That is why they are suing us.

Senator HICKENLOOPER. If you had not been filling old orders at the contract price, would that price of \$1.375 per dozen pairs on new orders, had you shipped any in March, been O. K.'d by the OPA?

Mr. HOUGHTEN. We would have been all right. If we had repudiated our old contracts and shipped on current sales it would have been all right.

Senator CAPEHART. Had you refused to fill the orders taken in 1941 at \$1.25, would you likewise have been sued by your customers?

Mr. HOUGHTEN. We could have been sued; yes. But you know our reputation.

Senator CAPEHART. But you were subject to suit; they could have forced you to deliver them?

Mr. HOUGHTEN. Yes. I might bring out another thing about these gloves. They are suing us to compel us to sell these high-cost gloves at a lower price than the lower-cost gloves during 1942 and 1943.

Senator CAPEHART. They are suing you and asking you to sell a 7-ounce glove at \$1.25, whereas they gave you permission to sell a 6-ounce glove at \$1.275?

Mr. HOUGHTEN. You are correct.

Senator CAPEHART. That is very inconsistent.

Mr. HOUGHTEN. You have two more gloves there, leather combination work gloves. These gloves are the same excepting that this one [indicating] has a short cuff and this one [indicating] has a long cuff. I think it is 85.

Senator CAPEHART. Eighty-five has the long cuff?

Mr. HOUGHTEN. Yes, sir. This short-cuff glove was listed on our 1942 price list at \$6 per dozen pairs. We shipped some of those gloves at that price in March 1942, and were all right. This long-cuff glove always sells for 25 cents per dozen pair more than the same glove with a short cuff. So, this glove was on our March 1942 price list at \$6.25 per dozen pairs.

Senator CAPEHART. That is your long-cuff glove?

Mr. HOUGHTEN. Yes, sir. But we did not happen to ship any at \$6.25, but did ship some on old contracts taken in 1941 when the price was \$5.75 per dozen pairs. So the OPA is suing us for 50 cents per dozen pair for every dozen pair of these gloves we shipped in 1942 and 1943 at our published March 1942 price. They are suing us to compel us to sell a long-cuff high-cost glove for less money than a short-cuff lower-cost glove.

Those things just illustrate many of the things that we have to contend with in our 234 numbers.

I do not have to convince you gentlemen that that is economically wrong, economically unsound, and would lead to nothing but business suicide.

Senator CAPEHART. And may I say that it is likewise ridiculous.

Mr. HOUGHTEN. We are helpless and we are appealing to you people for relief.

I want to thank you for your courtesy.

Senator TAYLOR. We thank you for your statement.

Mr. Van Vene, have you anyone present who could make a statement on this glove proposition?

Mr. VAN VENE. Yes, Mr. Chairman. Mr. Moncharsh is here. He is Deputy Administrator for Enforcement, and doubtless could give you the information you desire.

Senator TAYLOR. I will ask Mr. Moncharsh to come around to the committee table and give us an explanation of the matter which has just been discussed.

**STATEMENT OF GEORGE MONCHARSH, DEPUTY ADMINISTRATOR
FOR ENFORCEMENT, OFFICE OF PRICE ADMINISTRATION,
WASHINGTON, D. C.**

Mr. MONCHARSH. Mr. Chairman, I do know something about these cases—

Senator TAYLOR. Give your name and the position you occupy, for the benefit of the record.

Mr. MONCHARSH. I am Deputy Administrator for Enforcement. These four cases that have been referred to were filed under the general maximum price regulation. That regulation covers the most of the work gloves. Substantially all work gloves are now on a dollars-and-cents figure, which recognizes certain differentials. So we are dealing with, not an action by the agency to require the sale of gloves at prices which are disregarded, but on the question of the liability of the companies under the regulations then in effect.

The general maximum price regulation was placed in effect in May 1942, using as a basis the period of March 1942. As a result of very rapidly increasing prices, along about the latter half of 1941, through March, I mean; and then the Administrator recognized that unless a quick regulation was put in, covering a wide sphere of all industry, to hold prices at the same level on a given date there would be no opportunity to stop that tremendous rise.

It was recognized at the time that the general maximum price regulation that had been issued, without some type of quick regulation, would necessarily create some unusual dislocations. No two industries are alike, and no two levels of one industry are alike, and in consideration of the work-glove regulation the Administrator said there would undoubtedly be dislocations, and there would have to be some quick method devised to stop the increases, so that the agency could have an opportunity, by an industry basis, to determine what is the proper ceiling price. And, as you know, at times, little by little, regulations come out of GMPR, filed in dollars and cents, which are more applicable to important problems of particular industries. There has been no contention here that I have heard that the prices in that general maximum price regulation itself were ambiguous. They said March 1942 is your ceiling price. If you made a delivery in March 1942; the highest price at that delivery is the price. If a man makes a delivery in March 1942 at a higher price, that was to his advantage.

If a delivery was at a lower price it was to his disadvantage. If it was on the nose, it did not make any difference.

Thereafter two amendments were issued, which are referred to here in the testimony, being amendments 22 and 38, which recognized one feature, and that was that there were some people who made general price increases in March, as this gentleman did, but they did not have an opportunity to deliver to all their classes of purchases during March. For example, some may have delivered to wholesalers or to jobbers, and had not made any deliveries to retailers or to large-scale purchases or to Government agencies.

The price department recognized that it would not be inflationary, or at least not too inflationary, to say that if in March you declared a general price increase, but delivered only to one of those classes of purchases and not to the rest of them, you could thereafter use the price increases for all of your classes of purchases.

Amendment 38 was a further clarification of that point to take into consideration a man who had not made a general price increase during March 1942 because he was so tied up by contracts that there would be no occasion for him to announce a general price increase.

An illustration used by the agency was a case where a man has a substantial Government contract, with a city or a State or the Federal Government, and it would not be proper for him to speak in terms of price increase in March, and when the regulations came out in March he was caught.

Both regulations refer to classes of purchases and not to classes of commodities. When the first of these two regulations was issued, amendment 22, they had a set of instructions attached to the amendment specifically pointing out that they were referring to classes of purchases and not to classes of commodities.

On August 26, 1942, there was issued by the agency, not the regulation, but the explanation of it, a statement which makes clear that it applies to rises in the seller's prices for commodities to various classes of purchases, not to rises in prices of various commodities dealt in by the seller.

Senator TAFT. Would not an honest producer be easily confused?

Mr. MONCHARSH. Not because of anything in the interpretation; and in the statement the distinction was always made that those were not the recognized differences. I have never heard it contended, and I have heard this testimony today, and I say to you that not any such contention was ever made.

Senator TAFT. But the contention was made that the regulation is ambiguous, and the people with whom they dealt thought it was perfectly all right. Yet you bring suit for three-quarters of a million dollars against them because of that.

Mr. MONCHARSH. May I go into that question and explain it to you?

Senator TAFT. I doubt if we would get anywhere.

Senator CAPEHART. I believe you said the Administrator admitted there might be a lot of misunderstandings due to different method in doing business?

Mr. MONCHARSH. No, sir. I said the Administrator recognized that a quick, broad regulation would necessarily result in price dislocation.

Senator CAPEHART. And that would, quite naturally, mean confusion?

Mr. MONCHARSH. I do not see why it should.

Senator CAPEHART. Did the Administrator at that time take into consideration the fact that those glove manufacturers might have had contracts under which they were bound legally to deliver gloves, and they had issued price lists in March?

Mr. MONCHARSH. Yes. But, you understand—

Senator CAPEHART. Had he taken that into consideration would this condition have existed?

Mr. MONCHARSH. It would.

Senator CAPEHART. Why?

Mr. MONCHARSH. I can only speak from hearsay because I was not in Washington at the time, but I have talked with those who had the matter in charge, and they said they gave a great deal of consideration as to whether on the general price increases they would not only permit it to be applied to all classes of purchases, but also to all classes of commodities. Besides that, that they would not argue, because on the general question of classes of commodities there are too many differences of opinion and too many different expressions. We are not talking about work gloves alone, but of a regulation which at that time covered practically all industry; and a statement of what is this or that class of commodity would involve the agency in a most difficult definition.

Senator TAFT. What did this amendment do except that?

Mr. MONCHARSH. Are you speaking of amendment 23 or of amendment 38?

Senator TAFT. If before April 1, 1942, a seller raised the price of a commodity or a service to that class of purchases. For instance, say to all classes of purchases except those to whom he was bound to make delivery or supply before March 1942. In the first place, does not that classify the person as to whether he had a contract or not?

Mr. MONCHARSH. No.

Senator TAFT. Of course it does. Suppose you read that provision?

Mr. MONCHARSH. I have read it.

Senator TAFT. Then you do not understand the English language.

Mr. MONCHARSH. The point is, and it is not the contention of the people here that their problem would be relieved by recognizing the difference in the class of purchases as in recognizing the difference in the class of the commodities. It would not help their situation any. If you have the situation as to work gloves, the contention of these four companies is that if you start with a basic glove, let us say No. 208, but I do not know that that is the correct number, and put that at \$1 base price, and you go along and put on an extra cuff and add 10 cents more, or you take something away and make it 10 cents less, they claim that these variations were the classes of commodities recognized in the regulation; and that this reference caused them to believe it covered classes of commodities.

Senator TAFT. The only thing about it is this: You take one class of commodities and you say to them, because you delivered them to purchasers to whom you were bound to make delivery, and you made those deliveries in March, therefore the rule which would otherwise apply does not apply.

Mr. MONCHARSH. I am not so sure whether we say that.

Senator TAFT. In any event, is it not perfectly clear that it is a very ambiguous provision, one which no one can be certain about; is not that correct?

Mr. MONCHARSH. That is not correct. May I tell you why?

Senator TAFT. I cannot see that at all. I cannot say what ultimately a court might say about it, but certainly it seems to me anybody would be justified in feeling that this might well justify the practice which they did actually engage in. And, remember, they were so told by the OPA people themselves. And there was no disposition to stop this thing, and certainly they thought they would be justified in going on with it.

Senator CAPEHART. Here you approved a price on a glove 1 ounce less in weight at a higher price, which was forcing the public to buy gloves of that weight at a higher price.

Mr. MONCHARSH. We approve no prices under the GMPR. If they made delivery at that price that was the ceiling price.

Senator CAPEHART. If you permitted it then you would be approving it.

Mr. MONCHARSH. We would have sued them at a price higher than that.

Senator TAFT. Why does OPA attack perfectly innocent people and sue them for \$750,000 when what they did was a reasonable business practice?

Mr. MONCHARSH. That is not quite the situation.

Senator CAPEHART. Have you had any other violations charged against these companies?

Mr. MONCHARSH. Not to my knowledge.

Senator CAPEHART. Then they have been perfectly honest and fair in everything else?

Mr. MONCHARSH. As long as I do not know about that I will admit that that may be true.

Senator CAPEHART. All right.

Mr. MONCHARSH. There is one other point I would like to mention: There has been the assumption that the price differential between various materials is historically established. Now, all those contentions were made in a protest proceeding which went to the Emergency Court of Appeals. And there the Wells Lamont Corp. had the opportunity to attempt to show the historic price differential. That case was decided by that court, and in the decision that court said [reading]:

The record discloses that the so-called in-line pricing method and its characteristics were given careful consideration by the Administrator. He found from the evidence that complainant's price differences were not fixed or unvarying.

Senator TAFT. That only proves that the court was not going into questions of fact. And that is what these people are claiming; and that they were the object of an arbitrary ruling of OPA, and they are asking us to say that OPA shall not have such power. And I agree with them.

Mr. MONCHARSH. Senator Taft, that court did go into the facts and it was shown that there were no unvarying differentials.

Senator TAFT. Oh, no. That court held, in effect, that it was not so clear that they would upset the rule of the OPA. Furthermore, I do not see what that has to do with it. The question is, why somebody acting in perfectly good faith, according to normal methods, in effect took the position that they had made delivery on past contracts, and

that had no effect on the law. I do not think it would. But you then go on and sue them for triple damages, \$750,000 I believe.

Mr. MONCHARSH. That figure is much inflated. At the time when suits were filed a suit for triple damages was mandatory. Then there was an amendment to the statute changing that rule. We have already told those people that we would accept one-third of that figure. It represents the amount of the overcharge itself. It actually represents less than the total amount overcharged because as one gentleman here said, there is a portion of it which is outlawed by the statute of limitations. So there was a portion of it on which there was no recovery.

Senator TAYLOR. It does not sound reasonable that the inferior glove should sell at a higher price, and inasmuch as the price on the inferior glove was all right and they had listed a price on the better glove, is not this one of those cases where the OPA would have some provision of law whereby you could use horse sense rather than base it on mere legality?

Mr. MONCHARSH. What under the circumstances is horse sense when you consider that the scope of GMPR affected all industry, the fact that all industry practically was under the same rule? That the price at delivery in March 1942 was its price. Many cases have been settled on that basis, and it was the most publicized regulation. There were thousands of dealings on that specific point. To say all right in this case because this dislocation resulted as it did, and in other cases we will use horse sense, and we will work out a new policy at something less than the amount of the overcharge, because we have already agreed that we will not ask for more. There have been cases settled on work gloves on that basis, one at \$130,000 settled some time ago. Would not the application of horse sense affect others, to change the policy at this date? What about all those who in 4 years have settled under the General Maximum Price Regulations?

Senator TAYLOR. Simply because things have not worked out equitably in price regulation is no reason for keeping on with it in that way.

Mr. MONCHARSH. I do not think it is inequitable.

Senator TAYLOR. How long have you been with OPA?

Mr. MONCHARSH. Four years.

Senator TAFT. But not here; out in California?

Mr. MONCHARSH. No. I have been in Washington a year.

Senator MITCHELL. In line with your argument let me ask you this question: Why would OPA write to the Indianapolis Glove Co. on March 18, 1943, saying [reading]:

Believing that the present situation constitutes a serious impediment to the production of goods and materials essential to the prosecution of the war, we see no alternative other than to advise you to proceed with shipments on the basis of your March 21, 1942, list prices pending a definite ruling and decision by the Cleveland and Washington offices.

Mr. MONCHARSH. I would like to explain that: This letter was written by a person in the district office. Under the Emergency Price Control Act there is the provision that if any person acts under the price schedule that person is then protected. Recognizing that at its height the agency had something like 180,000 people who might in one way or another speak for OPA, and with a turn-over of something like 120 percent, you have a total of something like 250,000

people, any one of whom might have said something. Therefore the Administrator issued a regulation conferring on officials by title the right to interpret regulations, provided it is done in writing. And that in event any of those officials interpret a regulation in writing, we are bound by it.

This incident referred to here and a earlier conversation in Washington both relate to the same situation. The one in Washington, in the first place, was not in writing, and in the second place it was not anyone authorized to speak. And in the third place, there is reference to two people, and one, other than the one who wrote the regulation, said he could recall no such conversation and he did not see how it could have occurred because the basic interpretation was well known.

Senator MITCHELL. How about the letter?

Mr. MONCHARSH. I cannot make a judgment on that. I was not there and I cannot tell you whose recollection is right. Here is a man in the district office who says, in effect, that the price is illegal. But countless prices reported from May 11, 1942, to the present time are not violations. As to this language [reading]:

Believing that the present situation constitutes a serious impediment to the production of goods and materials essential to the prosecution of the war, we see no alternative other than to advise you to proceed with shipments on the basis of your March 21, 1942, list prices—

That is not even an interpretation. That is a price regulation. It would be as though he had said to anybody: "I do not make price regulations. That has been given in Washington." I daresay, and I think it is a fair case, that if the same individual had been upset and had said: "I don't like your delivery price of March 1942 because I think work gloves should be cheaper, and I think you should give me a letter making your price cheaper"—I say, there would be I think an immediate inquiry of those people to determine whether the man had authority to do that.

I do not think it is so unusual, either for the Government or business from what I know of business, to say that there are only certain people who have authority to issue a regulation, and certain people to issue interpretations. Otherwise there might be an unnecessary mix-up and trouble.

Senator CAPEHART. What was the purpose of this man handling that matter? Why should he write that letter?

Mr. MONCHARSH. Well, I have my own judgment on that. It was some time ago.

Senator CAPEHART. Why go to the expense of having him if what he writes is not authentic?

Mr. MONCHARSH. It is only conjecture now. I imagine at the time it happened certainly work gloves were of tremendous importance in establishments engaged in war industry; and this person was very much impressed with that fact and assumed he had some slight authority to issue a regulation, which he did not have. The national office repudiated that.

Senator TAYLOR. Then there is nothing that you can do except to sue under the law and let the courts determine the issue?

Mr. MONCHARSH. Suit was filed a long time ago. There was one statement—

Senator CAPEHART. At the moment how many lawsuits are pending in the United States?

Mr. MONCHARSH. I would guess somewhere between 17,000 and 20,000.

Senator CAPEHART. Did you say somewhere between 17,000 and 20,000?

Mr. MONCHARSH. That is right.

Senator CAPEHART. How much money is involved, if you were to win all of them?

Mr. MONCHARSH. It would be difficult to say. Maybe if I answered this question it might help: Payments into the United States Treasury by reason of civil and criminal cases last year were somewhere around \$23,000,000.

Senator CAPEHART. And there remains between 17,000 and 20,000 suits now to be settled?

Mr. MONCHARSH. Well, there are cases disposed of and others that were filed.

Senator CAPEHART. How many people are there in the Enforcement Division?

Mr. MONCHARSH. The total staff, including clerical, attorneys, and investigators, is now somewhere around 4,500.

Senator TAYLOR. Well, I guess that is all. We were trying to find out if there was some way to settle this controversy.

Mr. MONCHARSH. There was one point which I think was not intentional, or, I mean, was not intentionally stated. I had a number of meetings with these gentlemen since early in April. I was generally familiar with the case, and I told them that if it was a matter of a policy I could then work out, the answer was "No." But we wanted to exhaust whatever evidence existed to find a consistent policy that would dispose of these particular cases without causing a charge of discrimination.

Senator CAPEHART. You could settle each of these cases for \$10,000, could you not? And you have the right to do it?

Mr. MONCHARSH. I do not get your point.

Senator CAPEHART. You could settle them for any amount you agreed to, could you not?

Mr. MONCHARSH. A man's conscience has to cover that.

Senator CAPEHART. I mean legally speaking?

Mr. MONCHARSH. I suppose if I issued instructions that I wanted all these cases dismissed, it could be done. But—

Senator CAPEHART. But you could settle them at what you thought was proper?

Mr. MONCHARSH. Except that the courts would say: Why didn't you settle all these other cases this way?

Senator CAPEHART. These thousands of cases, and take \$23,000,000, how many of these cases would you say were settled for less than triple damages?

Mr. MONCHARSH. A very substantial number.

Senator CAPEHART. Would you say 90 percent of them?

Mr. MONCHARSH. No. I would not say it, but it might be true. It would be a very rough guess, and that would be that in the historic OPA somewhere around 90 percent of the triple-damage claims were settled for—

Senator CAPEHART. And settled at the discretion of OPA itself rather than by the courts?

Mr. MONCHARSH. That is correct. But as far as settling for less, we have one rule now that would permit it, and that would be financial

inability to pay. Whenever a person shows that, we are not talking about a single amount, but a much lower figure.

Senator CAPEHART. I confess that I have been reading these regulations and I cannot understand them. I am of opinion that had I been in the glove business at the time I would have done what these people did.

Senator HICKENLOOPER. Do you contend that these people are culpable or that they were designing to violate the OPA, or are you claiming they were chiseling on the public in any way?

Mr. MONCHARSH. We do not. If we did we would contend for the whole amount.

Senator HICKENLOOPER. Is there any contention on your part that the price for the 6-ounce glove at \$1.27½ per dozen pair, the published price in March 1942, and the \$1.37 or the 7-ounce glove are out of line comparatively for these two kinds of gloves?

Mr. MONCHARSH. I just do not know anything about work gloves.

Senator HICKENLOOPER. I am asking if you, as Assistant in the Enforcement Division, are contending that these prices are out of line?

Senator TAYLOR. He is the Chief of the Division; are you not?

Mr. MONCHARSH. I am the Chief of the Division.

Senator HICKENLOOPER. Well, I did not want to demote you.

Mr. MONCHARSH. Well, I may have been demoted.

Senator HICKENLOOPER. Do you contend that these prices are out of line?

Mr. MONCHARSH. No. It was recognized at the time that the Administrator had to go ahead and do something; that if he waited until he got a dollar and cent proposition it would have meant to wait until 1945 or 1946, and prices would have been rising in the meantime. So it was just to get something out quickly to sell at a general price rise.

Senator TAFT. Then to handle the matter in an equitable manner, what would you do?

Mr. MONCHARSH. You have to consider between the manufacturer in any industry who observes the ceiling price with one who does not.

Senator HICKENLOOPER. Let us leave out every other case and confine our discussion to these glove manufacturers. Let us suppose that was the only case you had in the United States, this particular situation, just for the sake of the argument. Would you believe under those circumstances, if it were the only case you had, that it was equitable and proper and in good conscience to recognize the fact that these people have dealt equitably and fairly, and only the one fact that they did actually deliver gloves in March 1942; that this suit for—well, I will not name any amount, but will say a suit for several thousands of dollars, could well be dismissed and the Government not suffer, because of their lack of any culpability or of anything that was actually—well, not a malicious violation of the law?

Mr. MONCHARSH. You are placing me in a vacuum.

Senator HICKENLOOPER. Oh, no.

Mr. MONCHARSH. Oh, yes; you are placing me in a vacuum in that statement of the situation. If there were no other case to be considered, no other policy to be considered, that it would be very easy to dismiss this case.

Senator HICKENLOOPER. And you could do it with a clear conscience and feel it was a just decision; is that it?

Mr. MONCHARSH. But the same problem——

Senator HICKENLOOPER. Right there let me interrupt you with this question: Is it any excuse not to do justice in this case merely because you have some other cases that you have to decide?

Mr. MONCHARSH. Very much so.

Senator HICKENLOOPER. Does not justice apply to one case, and if it is just in this case why not apply it here?

Mr. MONCHARSH. No more than if the Congress would enact a statute naming some particular manufacturer and say: We order OPA to settle that case with that manufacturer for so much money, or for no money for that matter.

Senator HICKENLOOPER. That is not the point. It would be proper for the Congress to enact a statute directing the OPA in this way: We order you to settle on the basis of equity every case wherein justice is being done by Government regulation. I do not believe that would confuse the matter at all. You may have thousands of cases that come into the same category. It is not the province of the Government to be unfair in this case simply because of the difficulty of dealing in other cases.

Mr. MONCHARSH. Well, Senator Hickenlooper——

Senator HICKENLOOPER. It is your job as a servant of the people to deal equitably in every case, to not deal inequitably in any case.

Mr. MONCHARSH. That is correct. But viewing the case in the light of all of them it is not an inequitable result.

Senator HICKENLOOPER. I do not want to get into a prolonged discussion here, but I think this is a concrete example. I do not mean to say it is entirely typical, but it seems to me this is a case of a most flagrant refusal by a Government agency to take decent and proper action that I have ever seen in the year and a half of OPA investigations we have conducted. I just cannot imagine the representatives of an important Government service inflicting themselves upon the people in this way, ruling with this rigidity; going ahead and trying to wipe out all of these people's accumulations. It is beyond me. I cannot square it in my own mind. Perhaps I cannot see it as some of you folks see it, but that is the way it appears to me.

Senator TAYLOR. We have one more witness to hear this afternoon.

STATEMENT OF WALTER PAGE, EVAPORATED MILK MEMBER OF THE DAIRY INDUSTRY COMMITTEE

Mr. PAGE. Mr. Chairman and members of the Banking and Currency Committee, my name is Walter Page. Let me say first, gentlemen of the committee, that all of you here have evaporated-milk plants in your respective States.

For over 40 years I have been connected with the evaporated-milk industry, developing dairy fields, producing and selling evaporated milk. I am thoroughly familiar with all phases of the business.

We are not protesting the principle of wartime measures of price control, as designated by Congress. We are puzzled by its method of administration. The problem of our industry is a simple one, but it has been complicated in the Office of Price Administration.

The reason why our national industry of 158 plants located in 29 States is producing about 30 percent lower output than last year is chiefly the result of a bottleneck in the Office of Price Administration.

Responsibility for removing the bottleneck, and getting adequate production of evaporated milk for the essential needs of domestic consumers and for the underfed people of other war-ridden nations—this responsibility now falls on you. I believe that legislative action and direction is necessary. OPA has stalled on dead center.

Ever since VJ-day, a new remedy for stabilization has been needed. This remedy is a pricing system that will recognize the necessity of getting production up where it belongs and thereby hold prices at levels which fairly reflect purchasing power.

Prices on evaporated milk were established on domestic sales in December 1942, at \$4.10 for 48 tall-size cans, delivered to distributors. The order stated that OPA's findings had been on the basis that condenseries could pay farmers a price of \$2.46 per hundredweight for milk testing 3½ percent butterfat. The industry protested the order and demonstrated the need of a higher ceiling due to the fact that they had been forced to pay between \$2.60 and \$2.65 per hundredweight for milk. In early 1943, OPA and WFA recognized the inadequacy of the ceiling price and approved an advance which was vetoed by the Office of Economic Stabilization. The ceiling price has remained unchanged.

Because of the loss on manufacturers' sales made at the OPA ceiling price, Government agencies were authorized to purchase the product f. o. b. plant. The industry accepted the program of Government buying f. o. b. condenseries and went along with the program through the years of 1943, 1944, and 1945. This arrangement was recognized and intended as an indirect "subsidy" designed to compensate in part for losses incurred because of the inadequacy of OPA's ceiling price on civilian sales.

From time to time members of the industry, acting on advisory committees of OPA and Agriculture, pointed out that when the time arrived that Government buying ceased then the domestic ceiling prices would have to be increased. Soon after VJ-day this indirect "subsidy" became unavailable because the Government buying came to an abrupt close with the production shifting solely into domestic channels, attaching a loss on every case sold.

Senator TAFT. What percentage was sold to the Government during the war?

Mr. PAGE. I will give you the exact figures. Let me refer to another paper I have here.

Senator TAFT. Just give it to me roughly.

Mr. PAGE. The evaporated milk industry in 1945 produced 86,750,000 cases and there were furnished to Government agencies 38,895,000 cases.

Senator HICKENLOOPER. About one-half?

Mr. PAGE. A little less than half.

Costs of milk, packing materials, wages, and supplies and operating expenses have steadily increased. By any fair analysis these increases comprise and warrant a minimum adjustment of 10 percent of the ceiling price. Up to the moment we are still waiting for action with nothing definite in sight and, in the meantime, the average net losses

by the industry on milk going to the domestic trade today are running around 40 cents per case. The entire industry is seriously concerned with a situation which has again arrived at OPA's bottleneck with no action taken.

Accordingly, small manufacturers have been forced to reduce their pack and some manufacturers have either sold out or discontinued their evaporated milk operations. Total production has steadily fallen off.

Senator TAFT. What do you pay per hundredweight for milk now?

Mr. PAGE. \$2.78 per hundredweight.

Last February, the House Food Shortage Committee, reflecting their thorough inquiry into the uncertain outlook for dairy production under continuing OPA controls declared [reading]:

The committee recommends that price ceilings on evaporated milk at the manufacturers' level be revised upward immediately. The Office of Price Administration should not delay one moment in taking this action, as reports to the committee indicate that in many sections the present supply is not sufficient for even feeding babies.

I wish to call your attention to the fact that during the House hearing on February 25, 1946, the members of the House committee questioned representatives of USDA and OPA regarding evaporated milk ceiling prices, namely [reading]:

The CHAIRMAN. We will move along then, gentlemen. The next question, Mr. Stitts, that we would like to touch briefly on is the question of the increase in price ceilings on evaporated milk.

Mr. STITTS (USDA). They appeared before your committee, and have been to see us, and I know they have been to see the OPA. Mr. Beakes and I have discussed it.

The producers of evaporated milk are losing money. They are paying more for milk than they can get out of it.

* * * * *

Definitely our recommendation is that the wholesale price of evaporated milk has to be raised.

Mr. GEROULD (OPA). I think I should say the subject is under consideration actively at the moment.

We recognize the fact that Mr. Stitts has mentioned as an important one. During the war a large bulk of the supply went to the armed forces and there was a differential in favor of that outlet. With the change in the situation that has appeared since the war, it is true that reconsideration of that situation is necessary.

But no action emerged from OPA and the declining rate of production is alarming.

The bottleneck appears to be in the office of the OPA official who acknowledged to Congress on February 25, 1946, the need for action.

On May 1, 1946, three members of the OPA Evaporated Milk Advisory Committee met with Mr. Gerould, and again impressed upon him the importance of getting the higher ceiling price issued immediately. But the only response we received was, "We are doing the best we can."

Senator MITCHELL. What is the inference from that?

Mr. PAGE. That he is stalling.

Senator MITCHELL. That he is stalling, or that he is stalled by an excessive amount of work?

Mr. PAGE. Well, there is stalling somewhere along that line. This is not a complicated proposition. I would be willing to take it before any three fair-minded men, men who understand the business. We can prove the situation conclusively. You will get it as I read on.

Senator MITCHELL. All right.

Mr. PAGE. It is such examples of the exercise of regulatory power that render price control an ineffective and intolerable instrument of obtaining adequate production of our essential common foods.

The remedy, I think, lies in the responsibility of the legislature to direct the immediate establishment of a timely and appropriate system of food price action under an administration familiar with what it takes to promote and to maintain adequate food production.

This is long overdue. Dairy processing volume in this country for the next 75 days of seasonal production will spell the difference this year between our having balanced supplies or another shortage. Each day lost by administrative inaction represents a volume of output lost—which cannot be recaptured.

We must accumulate immediately the stocks of evaporated milk which can be produced during the peak milk flow. These stocks act as reserves to tide over supplies during the seasons of short production later on.

Government figures just released show that March production is 29 percent less than March production in 1945, also 28 percent less for the first quarter of this year, whereas, in order to meet the needs we should not be running more than 15 percent under the pack of last year. Our stocks as of March 1 were 61 percent less than a 5-year average. This is lower by comparison than the butter stocks on a 5-year average. We must build up stocks now or experience severe shortage later this year.

While the industry production for the first quarter is off 28 percent, the production of the small manufacturers is off approximately 50 percent. The reason for this is that the small manufacturers cannot continue to take the terrific losses imposed upon them by the low ceiling price—arbitrarily maintained by OPA. Actually, condenseries have been compelled to pay for milk much more than the price of \$2.46 used by OPA as the basis in the ceiling regulation covering evaporated milk.

OPA's bottleneck threatens elimination of a billion cans of evaporated milk this year unless you accept and share the responsibility for maintaining adequate production.

I wish to assure the members of the committee that from the industry standpoint, all evaporated-milk manufacturers fully realize their obligation to meet the daily needs—without interruption—of millions of consumers who have always relied upon this safe, essential, and economical product. Our industry has an enviable record of wartime performance—second to none. All Government needs were met voluntarily. But domestic needs have increased steadily and now are further increased to answer the problem of infant feeding requirements of our national high record baby population. In this field of usefulness, evaporated milk is regarded as indispensable.

The dairy industry is one that is characterized by its necessity for swift adjustments. Its successful operation does not lend itself to the static policies of wartime pricing agencies which are remote from the direct responsibility for the maintenance of adequate production and orderly distribution of common foods.

Our industry stands at the brink of the producing season—puzzled and baffled by the bottleneck of OPA inaction.

The situation is critical.

I request your immediate consideration and your acceptance of responsibility that will effectively clear the way to production.

For illustration I show you a quart bottle and a can. I have removed the label from this can because I did not want somebody to accuse me of putting on an advertising stunt.

I have here a tall-size can of evaporated milk and a bottle of milk. The evaporated and the bottled milk are both homogenized. Both are fortified with vitamin D. The evaporated milk is sterilized. The bottle of milk is pasteurized. Both contain approximately equal food values. The can of evaporated milk was sold in Washington last week at 9 cents per can and the bottle of milk at 16 cents per bottle. Evaporated milk is the economical, convenient, and safe milk supply of millions of American families. It is the selected baby food of millions of mothers. It has been demonstrated that where evaporated milk has been used in the feeding of infants, infant mortality has been retarded and the growth and development of the babies improved. Evaporated milk is often referred to as the cream for the low-income families' coffee.

Senator CAPEHART. You say that can of evaporated milk was sold in Washington last week at 9 cents per can?

Mr. PAGE. Yes, sir.

Senator CAPEHART. And the bottle of fresh milk at 16 cents?

Mr. PAGE. That is correct. I have here the advertisements to show that.

Senator CAPEHART. And there is the same amount of milk in the can?

Mr. PAGE. Yes, sir.

Senator CAPEHART. It takes a quart of fresh milk, such as you have there in that bottle, to make a can of evaporated milk, such as you have in the can?

Mr. PAGE. That is practically it.

Senator CAPEHART. And one sells for 16 cents and the other for 9 cents?

Mr. PAGE. Yes, sir. The only reason I say "about" is because this may be 4 percent milk or it may be 5 percent milk. I do not know which, so I use the word "about."

Senator HICKENLOOPER. But to all intents and purposes it takes a quart of fresh milk to go into that can?

Mr. PAGE. Yes, sir. The milk is concentrated $2\frac{1}{4}$ to 1.

Senator TAFT. And if you raised the price 10 percent or even 20 percent it would still be cheaper?

Mr. PAGE. Yes, sir.

Senator CAPEHART. And you are willing to pay the farmer the same price for his milk as the man pays who sells that bottle of fresh milk?

Mr. PAGE. No. It is not a question of willingness, but a question of the market.

Senator CAPEHART. But you do pay the same?

Mr. PAGE. No; we do not.

Senator TAFT. You go out and buy from the farmers in large quantities?

Mr. PAGE. Yes, sir.

Senator CAPEHART. You pay the regular OPA ceiling price?

Mr. PAGE. There is no OPA ceiling on fluid milk for manufacturing purposes. The price we pay for milk is based on the minimum-price

formula which was set up in the Department of Agriculture in 1933. That is the minimum.

We can pay as much over that price as we wish.

Senator MITCHELL. So the OPA sets a maximum price?

Mr. PAGE. It sets the maximum selling price of evaporated milk at all levels of distribution, and indirectly it tries to set in that manner the fluid-milk price that we pay the farmer. When we were having a meeting I think we asked them if we could go out and tell the farmers we could not pay more than that, and they said "Oh, no. Why should they set the price and put the responsibility on us?"

Senator CAPEHART. Because there is no law to keep them from doing it.

Mr. PAGE. We do not want to get into that. We are here trying to put forward a case by people who know the situation. I will only take a few minutes more of your time.

There was consumed in this country in 1945 2,500,000,000 cans of evaporated milk. Pound for pound, there is more evaporated milk used than butter. Many markets are short of evaporated milk at the present time and, if the ceiling price is not immediately advanced, some markets next winter may have no evaporated milk.

Some might suggest that we reduce the price paid the farmer for his milk to a point where we could operate the evaporated-milk business without a loss. Such action would rapidly increase the pace at which production is now being reduced.

Dairy farming is an exacting occupation, requiring considerable capital. It is a confining occupation, because cows must be milked twice daily. There are no holidays for the dairy farmer. If we want milk production, then we must continue present prices and may even have to advance them. Surely no one familiar with the operation of a dairy farm begrudges the farmer a fair return for the milk he produces. OPA has suggested that we keep prices down to the farmer, but they are not willing that we inform the farmer that this is their wish.

You might ask what our industry would do if all controls were removed. I submit the following figures in answer to this question:

Before controls

1939: 107 billion pounds of milk.

1940:

109 billion pounds of milk.
1.836 million pounds of butter.
602 million pounds cheese.
321 million pounds dry skim milk powder.
55 million cases evaporated milk.

1941:

115 billion pounds of milk.
1.872 million pounds of butter.
753 million pounds cheese.
366 million pounds dry skim milk powder.
74 million cases evaporated milk.

1942:

119 billion pounds of milk.
1.742 million pounds of butter.¹
916 million pounds cheese.
565 million pounds dry skim milk powder.
81 million cases evaporated milk.

¹ Orderly retreat requested May 1942.

(Controls started late in 1942)

1943: 118 billion pounds of milk.

1944: 118.5 billion pounds of milk.

1945: 122 billion pounds of milk.

I will go back just a moment: On April 6, 1941, we were called to Washington as an industry by Milo Perkins, and he asked us to increase milk production in this country, and we had the largest increase between April 1941 and the end of 1942. In the face of that they came to us in May 1942 and asked us to make an orderly retreat, and that was by Roy Hendrickson. And let us see what happened: Here is the butter production for the years 1940, 1941, and 1942. In 1940 the butter production was 1,836,000,000, and in 1941 it was 1,872,000,000, and then in 1942 it was 1,742,000,000.

You may state that the dairy industry did all right under control. They got production under control. That is true. But it was not the control that produced this production. It was the love of the flag of our country; the fact that the farmer had his son go to war; that the farmer heard about his neighbor having lost a son; another neighbor had a son wounded; or maybe that someone's son was missing. It was that patriotic and human sympathy that was the urge for production. That is why people well along in years worked hard and long hours on our farms and produced the greatest crops under adverse conditions, being short of labor, short a son, and short of machinery. Let no man insult the American dairy farmer by even suggesting that controls got production. And I say this to any man, no matter how badly or for what reason he wants to have OPA given a free hand. There were no E award banners flying from the dairy farmers' homes. There were no strikes among the dairy farmers; not even demands, even though there were many regulatory things done that did not please them, such as subsidies—having to go miles to collect for part of the payment for their milk, fill out papers, sign papers, and even wait as much as 90 days. Do you think that labor would have accepted such treatment? No; and you know they would not have.

Where is the honest expression of appreciation for the splendid work done by the dairy farmer? Can't we do and consider important matters without behind-the-scene confabs? There were set up OPA advisory committees. Why are these not called in before decisions are made with reference to a program for the industry which they represent? Why should a Government appointee or Government employee call us names and give out the impression that we are not sincere in our effort to correct this deplorable situation which we find ourselves in?

God knows if your own child were sick you would not send for an economist. The dairy business is a specialized business. It is not a hit-or-miss business. Gentlemen, regulations and slide rules will never successfully operate the dairy industry.

You may say that we do not need as much evaporated milk as we produced last year. That is right. Not as much by 15 percent. But if ceilings are not advanced immediately, we may be short as much as 50 percent. Small manufacturers are being driven out of the evaporated milk business, not because they are inefficient but because the ceiling price is so low that only those large concerns financially strong, who have labels to protect, can continue to take

the financial punishment that is being dealt out to the industry by OPA.

Before closing, may I state that the evaporated milk industry in 1945 produced 86,758,000 cases, which was used as follows: To our armed forces, 26,668,000 cases; United States Department of Agriculture, 12,227,000 cases; making a total to the Government agencies of 38,895,000 cases. Export, 1,327,000 cases; to the domestic trade for civilian use, 47,830,000 cases. In 1945 the evaporated-milk industry handled more than one-twelfth of the total of the whole milk sold from the farms of this country.

Another point that I wish to bring out is that from some sources has come the statement or inference that other items of dairy products took the milk away from butter. If you will refer back to the figures given in the statement of what production was before control, you can readily see that this is not true. Furthermore, in normal times—1936 to 1941, inclusive—according to Government figures, 85 percent of all the butter production came from farm-separated cream. Therefore, if the entire remaining 15 percent had been lost, it would not make up for the reduction in butter production. The real reason is that the ceiling price on butter was too low and when subsidies were given they were too difficult for the farmer to get, considering the amount involved.

I ask you, would you, when gas and tires were scarce and your services were desperately needed on your farm, have driven from 10 to 40 miles to the county seat to have collected \$3 to \$10? Then you have in addition to all of this, some farmers on a basis of principle and others for religious reasons who do not believe in subsidies and do not collect them.

At the present time, our Government has put in a set-aside of 20 percent on butter, and they will undoubtedly pay for it at the OPA ceiling price that has been in effect for some time. If this is true, then every butter manufacturer that supplies our Government will do so at a very definite loss. This is not only very unfair, but I am sure will not help in getting increased butter production. I ask you to consider the matter from the manufacturer's viewpoint; and what would you say about a procedure of this kind?

There has been a great deal of press releasing from OPA and Stabilization about cream and the conservation of butterfat, and still OPA, by its arbitrary action or no action at all, is driving evaporated milk off the market because of the maintenance of the low ceiling price, and is defeating butterfat conservation.

If a person who has been using evaporated milk in his coffee is forced to buy coffee cream, he discontinues using a product that contains a little less than 8 percent butterfat and substitutes for it a product containing 18 to 19 percent butterfat. There is no conservation of butterfat here—and still OPA is doing just this thing.

Being perfectly frank, gentlemen, it is just another case of people trying to direct by regulations a business they know nothing about. As I have stated several times this afternoon, the milk industry is a fast-moving business—a business that requires years of experience to handle; and still men are set up in OPA and Stabilization who tell us what we can or can't do who have neither knowledge nor experience regarding the product they are trying to handle.

I cannot too strongly urge that you do not allow the evaporated-milk industry to go the way of the butter industry. This Government has no right, from my viewpoint, to enter the sanctity of the home and deny the housewife or the mother of a young baby the right and privilege of buying evaporated milk.

I rest my case in your hands.

Senator HICKENLOOPER. Do I get this as a part of your contention: that by means of the present policy of the OPA this merchandise that goes so extensively into the diet of the average man, woman, and child in this country, including the babies, is in danger of being taken in large measure from their diet?

Mr. PAGE. Yes; and I can give you the names of plants going out of business.

Senator HICKENLOOPER. I do not mean for you to give us the names but just a general statement.

Mr. PAGE. I can give you the names: Owen, Wis.; Denmark, Wis.; Oostburg, Wis.; Menominee, Wis.; Patterson, Calif.; Stockton, Calif. And another plant is being offered for sale. And the Nestle Co. does not ship to the New Orleans market, because they cannot.

Senator HICKENLOOPER. They have gone out of evaporated-milk production?

Mr. PAGE. Yes.

Senator HICKENLOOPER. And those plants ran evaporated-milk-producing places?

Mr. PAGE. Yes, sir. Do you mean to tell me that the average American housewife would not pay 1 cent more for that product? If we go up 10 percent it means an increase of \$25,000,000 in the price of evaporated milk for all of the United States. But if you force the housewife to go to bottle milk or go without, where are you? The babies have to go without or if you have fluid milk and cream you make a difference of some \$175,000,000 to \$200,000,000 increase.

I cannot see where there can be any justification for the little red devil of inflation by letting that can of evaporated milk go to 10 cents. Furthermore, your top selling price out of retail stores is 11 cents, and still here in Washington they were selling this for 9 cents. So we have not approached the ceiling price.

Senator HICKENLOOPER. Do you mean to say that evaporated milk was selling for 2 cents less?

Mr. PAGE. Yes, sir. And I want to explain that to you: The ceiling price on stores selling under \$250,000 annually is 11 cents and—

Senator HICKENLOOPER. What do you mean by that?

Mr. PAGE. They have the stores classified.

Senator HICKENLOOPER. Is that according to population of a town?

Mr. PAGE. Oh, no. It is what the dealer sells from a store. And if they have total sales of over \$250,000 it is 10 cents.

Senator HICKENLOOPER. Why is a can of evaporated milk worth more in one store than in another?

Mr. PAGE. I do not make OPA rules.

Senator HICKENLOOPER. Do I understand that that is true?

Mr. PAGE. Yes, sir.

Senator HICKENLOOPER. That a store that has sales of over \$250,000 worth of merchandise a year is held to 10 cents for that can, and that a store that sells less than \$250,000 in a year sells that can for 11 cents?

Mr. PAGE. Yes, sir.

Senator HICKENLOOPER. And it is the same milk?

Mr. PAGE. Yes, sir.

Senator HICKENLOOPER. And in the same town?

Mr. PAGE. Yes, sir; here in Washington.

Senator TAYLOR. We thank you.

Mr. PAGE. And I thank you for hearing me.

(Thereupon Mr. Page left the committee table.)

Senator TAYLOR. The committee will now recess until 10 o'clock tomorrow morning, at which time we will hear the Honorable Fred M. Vinson, Secretary of the Treasury. At 2:30 p. m. tomorrow we will hear Wilson Wyatt, Administrator, National Housing Agency. The committee will now stand in recess until 10 o'clock tomorrow morning.

(Thereupon, at 6:25 p. m. Monday, May 6, 1946, the committee recessed until 10 a. m. the following day.)

1946 EXTENSION OF THE EMERGENCY PRICE CONTROL
AND STABILIZATION ACTS OF 1942, AS AMENDED

TUESDAY, MAY 7, 1946

UNITED STATES SENATE,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C.

The committee met at 10 a. m., pursuant to adjournment on yesterday, in room 301, Senate Office Building, Senator Robert F. Wagner (chairman) presiding.

Present: Senators Wagner (chairman), Barkley, Radcliffe, Downey, Murdock, Fulbright, Mitchell, Tobey, Capper, Buck, Millikin, Hickenlooper, and Capehart.

The CHAIRMAN. The committee will come to order.

Senator HICKENLOOPER. Mr. Chairman, I believe a request was made a day or so ago—I don't know whether by Senator Taft or someone else—suggesting the desirability of having Dr. Jules Bachman, who is a price expert of considerable experience, including a capacity with the OPA and many other economic committees, testify before the committee as a part of this hearing and as part of the rebuttal.

The CHAIRMAN. I told the Senator we certainly would have him here. I am trying to regulate my calendar so that we can hear him.

Senator HICKENLOOPER. I think he is one of the foremost men on price in the country and I think it would be valuable to hear from him.

The CHAIRMAN. Yes.

Senator HICKENLOOPER. One other thing, Mr. Chairman, before the hearing gets under way.

I made certain inquiries the other day in connection with the decontrol of citrus fruits. I have a letter here of four pages from the counsel of the California Fruit Growers Exchange which I presume sets out their side of the matter very well. I shall not request that they be called as witnesses unless the chairman wants to, but I would like to have this letter put in the record. It will, I think, save time, unless some members would want to get them here and cross-examine them.

The CHAIRMAN. That may be placed in the record at the request of the Senator from Iowa.

Senator HICKENLOOPER. Thank you.

(The letter is as follows:)

CALIFORNIA FRUIT GROWERS EXCHANGE,
OFFICE OF TRAFFIC COUNSEL,
Washington, D. C.

Hon. BOURKE B. HICKENLOOPER,
Senate Office Building, Washington, D. C.

DEAR SIR: From time to time during the course of the present hearings on legislation extending the Emergency Price Control Act of 1942 before your Committee on Banking and Currency, citrus fruits and the widely publicized

rise in prices during decontrol last November and December have been mentioned as the horrible example of what happens when a commodity is decontrolled even though the supply or potential supply of that commodity seems to be adequate and in balance with demand. This is the grossest misrepresentation of fact and the most misleading use of an unfortunate example that could possibly be made.

To keep the record straight we would like to give you the following statement of the circumstances surrounding OPA's suspension of price ceilings on citrus fruits during the period November 19, 1945, through January 3, 1946.

What actually happened? Due to an unfortunate combination of market factors, prices rose somewhat above the preexisting ceilings, but not to the alarming extent that the wide publicity of supposedly spiraling citrus prices and the frequent reference to citrus fruit as the horrible example of decontrol would lead the uninformed to believe.

Typical of the frequent reference to the alleged spiraling prices during the period of citrus decontrol is that made by Mr. James B. Carey, of the CIO. I quote from his argument against a decontrol amendment made in testimony before this committee:

"The effects in each case after decontrol are not available. For at least a few of them, however, the facts are available. You may recall what happened to the prices of citrus fruits in the holiday season between Thanksgiving and Christmas of last year as a result of the removal by OPA of ceilings on these items. Within 2 or 3 days after the removal of the ceilings, the prices of some grades of oranges in certain areas jumped 96 percent. Three or four weeks went by before ceilings could be reinstated. By the time the prices were again brought under control, on January 3, 1946, the consumer had been gouged of a huge sum of money to help prove to the Government that price control was still needed."

Fortunately the facts do not bear out Mr. Carey's alarming statement, when we look at the prices the average housewife paid for citrus fruits during this period. In the published hearings of the House Banking and Currency Committee on this legislation (pp. 1015-1017) are tables showing the actual weekly weighted average prices paid compared with the ceiling prices before, during, and after the period of decontrol. These prices are those officially published by the Department of Agriculture. During the entire period of decontrol the average auction market price for all citrus fruits was only 17 cents per box over the preexisting average ceiling price of \$4.94. An increase of 17 cents for a box of approximately 200 oranges during the holiday seasons, when everyone likes to have pretty fruit on the table, is not alarming and certainly not a spiraling runaway of prices. It amounts to 0.085 cent per orange.

Our review of advertisements by stores published in newspapers all over the country, except possibly during Christmas week, shows that it was possible to find stores, and important stores, in almost every city in the country where oranges could be bought by the wise housewife at below the preexisting retail ceiling price.

Mr. Carey's 96-percent rise "on certain grades" and all the publicity about high citrus prices referred to prices for top premium grades paid by hotels for grapefruit which you pay 50 cents for at breakfast, and by cocktail lounges for the pretty oranges that you find a slice of in your Old Fashions and by some families for table decorations. There were and are unscrupulous retail outlets that sold premium fruits at fancy black-market prices. When ceilings were removed, naturally these same outlets got all they could during the holiday seasons. With ceilings removed, these were legal prices and got publicity. The reliable retailers did not try to take advantage of the situation and the great bulk of the fruit was available at reasonable prices.

During the decontrol period, the average price paid for Florida Indian River oranges, traditionally a premium grade, was 35 cents per box above ceiling, but the average-grade Florida interior orange was 10 cents below ceiling. California oranges were 18 cents above ceiling. The premium Florida Indian River grapefruit was 85 cents above ceiling but the average-grade Florida interior grapefruit was only 9 cents above ceiling and the Texas grapefruit was 25 cents above ceiling. All of these prices are per box of approximately 200. Obviously the medium-grade fruit, classified as "U. S. No. 1," which you and I eat or drink for breakfast, was available throughout the period of decontrol at near or below the preexisting ceiling price.

When the holiday season was over, the normal operation of the market—supply and demand—began leveling prices out and they were at or near ceilings when controls were reinstated and have remained substantially below ceilings since, as the tables above referred to will show.

Why did prices rise even as much as they did above ceilings? Because the ceilings were lifted during the November-December holiday seasons, a period that is just between the ending California-Arizona season and the coming Florida season. At this time supplies are normally short and prices naturally tend to rise no matter how great the production may be. In addition we had the following combination of circumstances. Florida fruit maturity was late, rains in Florida interfered with picking and getting the fruit on the market, the first Christmas week after the war the Florida pickers quit work and took a vacation, and car shortages that developed in November and December substantially cut the shipments from California.

In view of this combination of unfortunate and partially unexpected events, we feel that the reaction of citrus prices to the price ceiling suspension, rather than being the horrible example, gives definite proof that the operation of a normal market under the free forces of supply and demand can take care of itself without any artificial control when the supply of a commodity is in substantial balance with demand. The reaction of citrus prices was normal. It would have been substantially the same in any prewar year under the same combination of market factors.

If OPA's claims and those of Mr. Carey and others were true, we certainly would have had spiraling inflation prices—not the moderate rise that did occur—because market conditions couldn't possibly have been better to prove their point when price ceilings were experimentally suspended. The experiment did prove the normal operation of the old reliable and natural price control—the law of supply and demand and the reaction of prices to market conditions.

When the subject has been discussed before your committee, you or other Senators have pointed out that due to the unfortunate combination of circumstances, that OPA merely picked an unfavorable time to remove ceilings and that the resulting rise in prices was naturally to be expected. OPA has replied that the citrus fruit industry should not be heard to complain of that because it was under the industry's pressure that the ceilings were suspended at that time. However, OPA failed to point out that its published criteria for decontrol—that is, supply being in balance with demand—was met in July 1945 (see prices substantially below ceilings in tables referred to above) that we requested decontrol in early August and continued trying to convince OPA that ceilings should be suspended, but that OPA still delayed decontrolling citrus fruits until November 19, 1945, just before the holiday season. During this entire period from our first request for decontrol in August till final suspension of ceiling prices remained substantially below ceilings, and as soon as the market had a chance to correct itself, prices again fell below ceilings, have remained there and we think would have remained there even if price controls had not been restored.

Fortunately Mr. Carey's worry about the American consumer being "gouged of a huge sum of money" by the decontrol experiment "to help prove to the Government that price control was still needed" was an unfounded worry. And I don't believe the experiment has proved to our Government, except to OPA and the few advocates of a controlled economy, that price control is still needed on a commodity when supply is in substantial balance with demand. Certainly it did not prove that to our Representatives in the House who passed the Gossett decontrol amendment by a record vote of 228 to 166 and I hope it has not proved it to the Senators.

If you would like a more complete discussion of this situation, see my testimony before the House Banking and Currency Committee at pages 1009-1020 of their published hearings on this same legislation.

Very truly yours,

KARL D. LOOS, Jr.

The CHAIRMAN. We have the honor of having as our witness this morning Mr. Fred Vinson, the Secretary of the Treasury. Mr. Vinson.

**STATEMENT OF HON. FRED M. VINSON, SECRETARY OF THE
TREASURY, WASHINGTON, D. C.**

Mr. VINSON. Mr. Chairman and gentlemen of the committee, I have a statement that I don't think is terribly long. Would it be in order for me to read it so that it will appear with some degree of continuity?

The CHAIRMAN. Yes.

Senator TOBEY. In other words, we won't interrupt until after you are through, if that is agreeable to you?

Mr. VINSON. Yes.

The CHAIRMAN. Very well.

Mr. VINSON. We are living in a critical period of American history. We have fought successfully the greatest of all wars. We shall soon have completed the reconversion of our economy to peace. There are many problems that must still be met before we have safely passed through the dangerous aftermath of war.

The American people have done a good job. The great strength of character they showed is a reflection of the enduring value of our democratic system of free government and of our business system of free enterprise.

We in the administration and you in Congress have worked together on these problems of the American people. Your committee has dealt with some of the most important legislation of the war and postwar period. I am very glad to appear before you to discuss the No. 1 domestic problem with which we must deal right now—the problem of price control and inflation.

This can be a great era of American achievement. The years that lie ahead hold for our people the promise of the greatest peacetime production and the highest living standards the world has ever known. But the coming year is also filled with danger. The prospect for material abundance could be changed to one of want and despair if we do not win this last round in the fight against inflation.

We won the battle of production during the war and we held prices within reasonable limits. In fact, we would not have been successful in achieving our war production goals if we had permitted run-away prices. It is in itself a great accomplishment to have increased our total production by about 75 percent and to have put nearly all of this increase into the war effort. To have done this with a moderate rise in prices is almost a miracle.

It is impossible to avoid some rise in prices under war conditions. When production must be increased quickly and shifted to new lines, some increase in costs is inevitable. Price increases sufficient to compensate for such increases in costs are necessary to let production go forward. Such price rises serve a useful function.

But price increases beyond the amount necessary to get the maximum possible output are inflationary. They decrease production instead of increasing it. Such price rises serve no useful function. They lead to speculation and hoarding of materials. They create maladjustments in the whole structure of production and prices.

Our price control during the war made it possible to get full production and to hold in check the powerful wartime forces of inflation. During the war, 12,000,000 of our most productive young men and women were taken out of agriculture and industry to go into the armed forces. About half of our total production went to war.

The people were paid for producing war goods for the Government as well as civilian goods for the people. No wonder they could not buy as much of everything as they would ordinarily have liked. Half of the income of the people could not be spent if inflation was to be avoided. Through heavy taxation and through voluntary saving, consumer spending was kept down throughout the war. Price con-

trols prevented a shortage of goods from leading to the competitive bidding up of prices.

These price controls are still necessary during the reconversion period. I told this committee over 2 years ago, when you were considering the extension of the Price Control Act in the spring of 1944, that an extension of the act for a longer period than 1 year after the war would probably be necessary. As I said at that time [reading]:

* * * the most serious days will be the postwar days on the economic front.

The inflationary pressures which are generated by war continue during the reconversion period. They continue until we can finish tooling up for peacetime production; they continue until we can get the members of the armed forces back into industry; they continue until we can fill up the long pipe lines between the first stages of production and the ultimate consumer; they continue until we can satisfy the most urgent demands which have been pent up during the war.

Yes, the inflationary pressures continue for some time after the war, but the temptation to relax and let down our guard is great. This is the temptation which faces us today, and the temptation which we must avoid.

We must profit by experience. We have learned much from the experience of World War I in many fields. We can learn much from it in the field of price control also. In World War I, little reliance was put on the direct control of prices and production. Too many people accepted as dogma the doctrine that the Government could do nothing to control production and prices.

For this reason, price control in World War I was started too late and applied ineffectively. Except in special areas, such as food and fuel, it never operated under a clear-cut legislative sanction. As a consequence, prices rose twice as much in World War I as in World War II, although the war was much shorter and inflationary pressures were only one-half as great. I say only half as great, because about 25 percent of the national production went into the war effort at the peak of World War I, as compared with about 50 percent at the peak of World War II.

Shortly after the armistice, such price controls as had existed during the last war were abolished. We all know what happened. Prices rose for another year and a half at an even faster rate than during the war. By 1920, living costs were 108 percent above 1914. And then came the collapse. Prices took a nose dive, as they always do after an inflation. The price of corn fell 78 percent; cotton, 75 percent; tobacco, 70 percent; hogs, 66 percent; wheat, 65 percent; and so for other products.

I have a table here giving the estimated decline in prices to the farmer after World War I which includes prices of cotton, corn, hogs, burley and flue-cured tobacco, and wheat, substantiating the percentage declines I have just cited.

Cotton in April 1920 was selling for 37½ cents a pound; in April 1921 for 9.4 cents.

Corn, August 1919, was selling for \$1.88 a bushel; November 1921, 41.7 cents.

Hogs, August 1919, were selling for \$19.30 a hundredweight, or 19.3 cents per pound; December 1921, 6.52 cents per pound.

Tobacco, burley, Kentucky, December 1919, 47.23 cents per pound; December 1920, 11.04 cents.

Flue-cured, four States, November 1919, 68.11 cents per pound; November 1920, 24.11 cents per pound.

Wheat, June 1920, \$2.56 a bushel; September 1922, 89 cents.
(The table referred to is as follows:)

Estimated decline in prices to the farmer for selected products after World War I

Product	Unit	Estimated 1919-20 high		Estimated 1920-22 low		Per- cent de- crease
		Date	Dollars	Date	Dollars	
Cotton.....	Pound.....	April 1920.....	0.375	April 1921.....	0.094	75
Corn.....	Bushel.....	August 1919.....	1.883	November 1921.....	.417	78
Hogs.....	Hundredweight.....	do.....	19.30	December 1921.....	6.52	66
Tobacco:						
Burley, Kentucky.....	do.....	December 1919.....	47.23	December 1920.....	11.04	77
Flue-cured, 4 States.....	do.....	November 1919.....	68.11	November 1920.....	24.11	65
Wheat.....	Bushel.....	June 1920.....	2.56	September 1922.....	.892	65

Office of the Secretary of the Treasury, Division of Research and Statistics.

Source: Price data for flue-cured tobacco from State Warehouse Sales Reports; burley tobacco from Reports of Commissioner of Agriculture of Kentucky; data for other products from Agriculture Yearbook of 1926.

Industrial production fell 33 percent. We saw the effects of this deflation on the farms and in the factories. Net farm incomes dropped from \$8,800,000,000 in 1919 to less than \$3,000,000,000 in 1921. Factory employment fell over 30 percent during this period, and factory pay rolls fell nearly 50 percent.

We do not want to repeat that performance. We do not have to. Our duty is to see that these same tragic events do not happen this time. We cannot afford to have half a million families lose their farms in the aftermath of another inflation. We cannot afford to have 20,000 bankruptcies a year because prices are first inflated and then collapse. That is why it is necessary to extend price control at this time. We must not repeat the mistake we made after the last war.

But I want to emphasize equally strongly that the extension of OPA is only temporary. There is no basis for the fear that price control of the sort exercised by OPA will become part of our permanent economic structure. The problems with which OPA is now dealing are caused by the transition from a wartime to a peacetime economy.

At the same time that I told your committee, in the spring of 1944 that a 1-year extension of price control after the war would probably not be enough to solve our transition problems, I also assured you that OPA would not become a permanent part of our economy. That statement still holds. You do not want it, and I do not want it. The President does not want it. We have been trying all along to get rid of price controls as soon as it is possible to do so without inflation. But we must be patient. We cannot gamble with the future of the American people.

The problems which the OPA has to meet are temporary in character. We are dealing with these problems in the one way that will finally solve them—by production. The basic inflationary pressures had their origin in the compelling necessity of devoting half of our production to war purposes for nearly 4 years. The war ended only

8 months ago. In these few months since VJ-day we have reached a level of civilian production never before equaled in this country. And this stream of production is steadily rising day by day.

Some people have asked where the production is going. Retail sales in this country in the first quarter of 1946 were at an annual rate of \$89,500,000,000—60 percent more in dollar value and 22 percent more in volume than 1941. When you exclude the durable goods which are only beginning to come on the market, the increase in dollar value of retail sales is more than 85 percent and the increase in physical volume more than 40 percent.

Of course, there is a scarcity of many goods, despite the record volume of retail sales. That's because the public is earning more money than ever before in peacetime and wants to consume more than ever before. Folks who never had a proper diet are buying meat and milk and eggs. Folks who never could afford nice clothes and stockings are buying—or trying to buy—suits and dresses and nylons. I think it's all to the good to see this great demand. We can produce enough to meet it. But it will take time, particularly because the public has been short of these goods for 5 years, and because we are just returning to peacetime production.

Some of the goods produced are not going to consumers right now. They are going into tools and machines and working stocks for new and increased peacetime production. This is especially true of the durable goods. That is one reason the danger of inflation has not passed. It will not pass until we have finished the reconversion of production and filled the pipe line through which goods flow from the producer to the consumer. Not until there is a full flow of goods available for sale to consumers can we safely dispense with price controls. That will probably take another year.

The other side of this return of our economy to peacetime production—the side with which I am particularly concerned as Secretary of the Treasury—is that the Government is moving rapidly toward a balanced budget. We are reducing Government expenditures and paying off Government debt. Our fiscal policy is an important part of the program to fight inflation.

The total expenditures of the Federal Government in April of last year amounted to \$8,000,000,000. This April they were \$4,200,000,000 a shrinkage of nearly 50 percent. This rapid decrease will continue until we are on a peacetime basis.

In the meantime, revenues have held up remarkably well. The reason for this is—as the President has said, “We are well on the highroad to full peacetime production.” The net receipts of the United States Government for the month of March—the last major tax month—amounted to \$5,700,000,000, a decline from the same month last year of only about 17 percent.

As a result of these rapidly declining expenditures and well-maintained receipts, the Treasury showed a surplus of receipts in each of the months of February and March. There will be some net deficit during the remainder of this fiscal year; but the budgetary outlook for 1947 is very good. In the past 2 months, we have reduced the public debt by \$7,000,000,000 from surplus funds in the Treasury; and this reduction will continue in an orderly way as rapidly as our finances permit.

In meeting maturing obligations, we have been particularly concerned to pay off the securities held by the banks. The only new securities issued since the Victory loan drive have been savings bonds and tax savings notes. We have continued to press the sale of savings bonds because they are one of the best ways to fight inflation.

The Treasury is going to continue to sell savings bonds to the people. When we ask the people to put their savings into these bonds, we must also give them the assurance that their savings will have 100 cents of buying power for every dollar. We must and will keep faith with the bondholders who have put their trust in the Government. The bonds they buy and hold help keep down inflation. They are doing their part in the fight. We must do ours. We must extend the Price Control Act, and we must extend it without crippling amendments.

I have great faith in the practical common sense of our people. They responded throughout the war to every appeal for more production, more taxes and more saving. The workers in the factories and farms, and the men and women in the fighting forces saved a very large part of their incomes. They are saving now. These savings are part of the great backlog of demand that can keep American production going.

What we do on price control during the next year will determine whether this great backlog of demand will bring prosperity or inflation. If we keep price controls a little longer—and keep them really effective—the accumulated savings of the public can result in a sustained demand for houses, automobiles, refrigerators, and other goods for many years to come. But if we remove price controls too soon, these same savings will be used to bid up prices before goods have been produced to match the demand. This inflationary process can have only one result: The destruction of the savings of our people and, in the end, a disastrous depression.

Rising prices will hit a lot of people hard. No Senator needs to be told how quickly even a slow rise in prices eats into a fixed income.

I could also add Cabinet officers.

There are millions of people in this position—school teachers and white-collar workers whose wages rise little and late; old people, who after a lifetime of work, live in modest retirement on their limited savings; disabled veterans, and the widows and orphans of our fighting men who depend on their small pensions to keep them going. These are the folks who feel inflation first and most.

Let's make no mistake about it. In the end, everybody suffers from inflation. That's because all of us have a stake in an economy that works, an economy that is stable. Inflation now means deflation later; and deflation means depression. Every worker, every farmer, and every businessman suffers from depression. He suffers in unemployment and in lower pay; he suffers in unsalable surpluses and in unremunerative prices; he suffers in decreased production and in unprofitable business.

The danger of inflation is far greater today than it was in time of war. This is because so many people think that the danger has completely passed. We have nearly won the battle of peacetime production and reconversion, just as we won the battle of production for war. We must not lose the fruits of that victory now by ruinous inflation which can only end in depression, unemployment, and eco-

conomic stagnation. Above all, let us keep faith with the American people who fought and worked to preserve a sound and strong America.

The CHAIRMAN. That is a very fine statement. Are there any questions to be asked of the Secretary of the Treasury?

Senator HICKENLOOPER. Mr. Secretary, on page 6, first paragraph, last sentence [reading]:

We must extend the Price Control Act and we must extend it without crippling amendments.

That term "crippling amendments" has become a very intriguing term to me. I would like to ask you whether you mean by that statement that any amendment to the OPA Act is a crippling amendment, or whether there is a field in which perhaps some amendment to the OPA Act might be not crippling. I mean it is a term that has been used with great generality and I am a little confused as to what its meaning is.

Mr. VINSON. Well, I would not suggest even for a moment to Congress or to a committee of Congress that they ought not to amend any law that is on the books. That is in the legislative field. I know that that is their business. As you may know, I have had some experience with the statute I had almost 2 years on the economic front in the battle to prevent inflation and some other battles. It has been my experience and is now my considered judgment that this committee and the Congress did a remarkable job in drafting the Stabilization Act.

Congress realized that they could not get into the administrative field and they gave a direction; they gave powers to the executives administering the law sufficient to do a real job.

I have repeatedly said that the errors that have been committed were not due to the law. I think the law is a very fine piece of work. The question of the power to do certain things, the power to have certain policies—is a highly technical field. It is one of the most complicated operations that our Government ever attempted. It may look logical that a certain amendment might be helpful, but unless you really have been in the field a long time you cannot realize just what its potentialities are.

When I say crippling amendment I mean an amendment that shows not only on its face, but shows to the folks who are administering the law and anyone who is familiar with the law that it means unreasonable price increases.

Senator TOBEY. Well, Mr. Secretary, to illustrate very definitely and succinctly you mean an amendment like the House amendment?

Mr. VINSON. Amendments like all of the House amendments to which my attention has been called, and particularly the Gossett amendment and the Wolcott amendment—I have a list of them here—not only a list, but some data in regard to them. I should like to put it in the record:

(The following memorandum discusses each of the amendments adopted by the House of Representatives which would seriously impair the effectiveness of price control):

(1) The Gossett amendment requires the removal of price ceilings whenever production of a commodity in a 12-month period exceeded its production in the 1941 fiscal year.

The formula deals wholly with supply and ignores demand. A single year of prewar production would fall far short of meeting present demand. If applied,

this formula would require immediate removal of over half the existing price ceilings, including ceilings on many commodities for which supply shortages are still acute.

(2) The Wolcott cost-plus amendment requires the ceiling price for every product to cover costs plus a reasonable profit.

This would require price ceilings high enough to cover even side-line products which many prosperous industries produce at little or no profit in normal times. It would require covering the temporary high costs of the reconversion period, when price control is highly essential. The administrative load would be beyond the power of OPA's limited staff to carry, since individual product costs data frequently do not exist. It would cause widespread uncertainty over ceiling increases, and consequent widespread holding back of goods.

(3) The Wolcott subsidy amendment establishes a rigid timetable for liquidating all subsidies by the end of this calendar year.

This fails to take into account the need for administrative flexibility in determining the amount and timing of each subsidy cut, concentrating them in the coming summer and fall when it is most important to restore confidence in price stability. It would lead to serious interruptions in the flow of subsidized products to market, and might endanger the markets for farm products.

(4) The Flannagan amendment prohibits the payment of any subsidy on meat products after June 30, 1946.

This would increase living costs by far more than the cost of the subsidy. It would destroy the only effective method for controlling live-animal prices, and thereby meat prices.

(5) The anti-MAP amendment abolishes the MAP (maximum average price) plan used in pricing certain textiles and garments.

This would prevent use of the present effective plan for keeping up the production of lower-priced items, and would thereby add over a billion dollars to the consumers' clothing budget next year.

(6) The Crawford "auto dealers" amendment requires the maintenance of prewar distributors' mark-ups in handling reconversion products.

OPA rules have required distributors to absorb part of factory price increases where gross prewar margins would not be impaired. To abolish this in favor of percentage mark-ups would substantially and unnecessarily increase retail prices for automobiles, radios, and other such products, raising prices on popular model cars by about \$85. The cost to the consumer could easily exceed \$500,000,000.

(7) The Brown and Sundstrom cotton and wool textile amendments require inclusion of the full market prices of cotton and wool in computing producers' costs, even when above parity.

These amendments would leave cotton textile and clothing prices at the mercy of the speculator, while encouraging mills to speculate by assuring inventory windfalls on rising cotton prices. Uncertainties over ceiling prices on woolen goods might well lead to withholding of fabric from essential garments, with the veteran seeking new clothes as the chief victim.

(8) The Wolcott termination date amendment terminates OPA on March 31 instead of June 30, 1947.

This would mean that the inevitable impairment in both compliance and administration in the closing days of price control would make itself felt as early as January 1, 1947, when inflationary pressures would still be high and three extra months could well prove crucial.

Senator HICKENLOOPER. May I ask this, Mr. Secretary?

Mr. VINSON. The Wolcott cost-plus amendment I think would be very, very devastating. And the Wolcott amendment for subsidy liquidation.

Senator BUCK. Do you think that is a crippling amendment?

Mr. VINSON. I think it would be very hurtful, Senator. I would not say there could not be an amendment drafted—I don't pretend to have the wisdom at the present time to do it because I have not bent my efforts in that direction—to remove subsidies gradually.

You have different seasons of the year that affect a subsidy on one commodity differently from other commodities with different seasons. I can say to you, I know from personal knowledge that the gentlemen who are on the firing line in this field want to remove not only sub-

sidies, but price control as quickly as they can. There was quite a study in regard to subsidies when Judge Collett was Director of the Office of Economic Stabilization. I attended several conferences in which that subject was discussed. I was just called in probably as an "elder statesman."

Senator BARKLEY. I am glad to hear you admit that, finally.

Mr. VINSON. I know we had conferences with Mr. Snyder and Judge Collett and Mr. Bowles, and various other folks, and then with Judge Collett we actually had the time set for the removal of subsidies. I don't know, but I think some came off—I can check that—but I think some came off and then conditions changed and they were not removed.

(The following information furnished by the OPA provides a list of subsidies that have been terminated or for which a termination date has been announced:)

Subsidy	How paid and to whom	Estimated annual cost	Effective date of termination
Butter.....	By RFC to processors.....	\$75,000,000	Oct. 31, 1945
Peanut butter.....	By CCC to processors.....	8,500,000	Do.
Vegetable shortening.....	do.....	1,000,000	Dec. 31, 1945
Grapefruit juice.....	do.....	6,000,000	Do.
Cheddar cheese.....	do.....	16,000,000	Jan. 31, 1946
Snap beans, processed.....	do.....	3,000,000	Feb. 28, 1946
Feeder cattle.....	By CCC to feeders.....	40,000,000	June 30, 1946

Senator BUCK. I would like to believe that these gentlemen want to take subsidies off, but Mr. Bowles told us himself here the other day—or Mr. Anderson did—that they had increased the subsidy on milk during the month of May.

Mr. VINSON. I presume that was due to pressure of costs.

Senator BUCK. It is a leech on the body politic, Mr. Secretary, that we will never get rid of, I am afraid, unless Congress itself takes steps to do it. This may not be the time to do it, but I do believe at some time Congress is going to have to take the bull by the horns and get rid of them, because we are sure to have an increase in price when they come off, no matter when it is.

Mr. VINSON. I think you put your finger on it, Senator, when you referred to the time. I don't believe now is the proper time.

Senator BUCK. Well, but I don't think there ever will be a proper time in the opinion of some people, because it will mean an increase in costs—it has got to—to the consumer.

Mr. VINSON. I know there has never been a thought in my mind that subsidies should not be removed.

Senator BUCK. I am awfully happy to know that.

Mr. VINSON. Even at the time they were put on, I know that none of us liked them. Even some folks who are recipients of them claim they don't like them, but I assume most of them take them.

Senator HICKENLOOPER. May I pursue a question I had a moment ago, Mr. Chairman?

The CHAIRMAN. Yes.

Senator HICKENLOOPER. The question of amendments. I think it is manifest that any law as complex as this must have some broad administrative powers in it. I think this law has given great administrative power.

Mr. VINSON. It certainly had adequate powers and any irritations or mistakes have not been the mistakes of Congress.

Senator HICKENLOOPER. The mistakes have been with the lack of judgment in the administrative end of the powers that have been granted to this administrative agency.

Mr. VINSON. The mistakes that have been made are the mistakes of the executive or administrative branch of the Government.

Well, I would say quietly that a year or so back there were some amendments that Congress did put on that didn't help, but they were not, I would say, of major degree. I had almost forgotten them.

Senator HICKENLOOPER. Let me ask you about this: In the event—I think at least up to this point in the hearings this fact has been amply established—but in the event that administrative policies which were admitted not to be of the best even as much as a year ago, but which have not been changed and which are still continued in effect at the present time, and which to some degree, at least, depending on your viewpoint and opinion—some may agree, and some may disagree—are contributing directly to a slowing down of production in certain lines in this country, and the OPA adamantly refuses to change its policies of administration—this Congress has no other recourse than to try to sell out those lines of procedure, even though it might feel it would be better off by not selling them out, if we could get proper administrative action.

Mr. VINSON. I think in that case it is a question of judgment whether or not the best foot has been put forward.

Now, sincere men may differ as to the course that the Office of Price Administration should pursue. I have had many conferences with folks who assured me they were being ruined, but the facts were that as a group, and often the group represented by committees, they were not. I have many recollections of that kind. But if Congress wants to enter the field of pricing for any reason because a certain regulation is not proper in their judgment, unquestionably you have the power to do it, but my notion is you ought to exercise that power sparingly because it is a very complex field.

Senator HICKENLOOPER. One other question, Mr. Secretary. I am very glad to hear you say and repeat as you do repeat what you said last year that decontrols should be put into effect as soon as possible, but I think the evidence has clearly established here in these hearings, and it has not been refuted, that for instance in petroleum and in tobacco——

Mr. VINSON. You are mentioning two fields I know. Let's talk about petroleum. What is wrong with petroleum? I know a little something about that.

Senator HICKENLOOPER. This does not require any expert knowledge of these fields. I say in petroleum and tobacco and fresh fruits and vegetables——

Mr. VINSON. I know something about tobacco, too. Does anybody pretend that the price that the tobacco grower has received for tobacco has not been enough? I look around and I see one man here that is a little quizzical.

Senator BARKLEY. I am not on the witness stand now. I am listening.

Senator HICKENLOOPER. May I complete my question? It has nothing to do with the price.

Mr. VINSON. Oh, I beg your pardon.

Senator HICKENLOOPER. I say in the field of petroleum, tobacco, fresh fruits and vegetables, and in some other lines of production, the evidence has been clearly established here and has not been refuted that they are in ample and abundant supply to meet the demand now and have been for some time. Therefore the mystery to me is why they have not been decontrolled under this policy.

Mr. VINSON. Well, I would assume in regard to petroleum that when you say that you have a full supply you are speaking particularly, I take it, of the crude.

Senator HICKENLOOPER. Crude and gasoline.

Mr. VINSON. Well, that is where you start, with crude, but if the price of crude should rise for other than supply reasons, I don't know how many hundreds of other commodities would have to have increased prices.

Senator HICKENLOOPER. Well, but this testimony that we have had here is that there is sufficient to meet the public demand in these lines, and in fact, the testimony on fresh fruits and vegetables is that generally they are selling below ceiling prices.

Mr. VINSON. Well, then, the ceiling prices have no effect.

Senator HICKENLOOPER. Then why not decontrol them? If we have a greater supply of poultry and eggs on hand and in storage now than demand requires, why not decontrol them?

Mr. VINSON. Well, I just heard this morning from an eminent authority that at least in certain sections of the country the poultry situation is such that possibly a little later we will need poultry and I was suggesting that you could get into poultry production a little quicker than you could into other fields.

I just recall the fact that we asked for increased production of poultry back, oh, several years ago, and we got increased production and we had eggs running out of our ears. Marvin Jones actually bought \$100,000,000 worth of eggs.

But you have to consider the relationships, Senator. You cannot take any particular thing and say that this is going to happen and this will not happen. Now, if you had increased prices of oil there would be relief to those who claimed they needed it.

Senator HICKENLOOPER. This gets back to repeated statements of the OPA Administrator, Mr. Bowles, for the last year and a half, that as rapidly as any product came into full supply so that it could meet the demand, or into reasonable balance, they would decontrol it.

Mr. VINSON. I think they have decontrolled prices when they could do it. They decontrolled the price of oranges and they did it a little too quickly. Then they said it was a wrong time to decontrol, as I remember it, and then they recontrolled. It is a tough operation, Senator.

Senator HICKENLOOPER. They decontrolled oranges when we were at the short period of supply in the country, but immediately as soon as the supply came on the price of citrus fruits went down below the market, and the supply was ample; but if they don't decontrol these major products such as poultry—even in normal times there are areas where they are short of poultry—they don't decontrol these things

now when they are in supply equaling demand, when will this policy of decontrol ever be put into effect?

Mr. VINSON. If the price that the consumer pays is below the ceiling price, what harmful effect is there in having a ceiling price?

Senator HICKENLOOPER. Well, the effect is in the harassment of the people that do this thing, keeping records, and being constantly subject to the OPA enforcement inspections and not being able to do their business and operate in a free economy.

Mr. VINSON. Those are irritations. I will agree with you.

Senator HICKENLOOPER. Then why have the irritations?

Mr. VINSON. Let me say, if you have a run-away inflation it is going to be a lot more irritating to everybody, and nobody is going to get helped. Everybody is going to get hurt.

Senator HICKENLOOPER. Well, I agree that that is over the dam, but I don't know just when these people over here administratively propose to decontrol. Here are several major fields of production in this country that so far as the evidence now shows here before this committee are in a supply situation to meet the demand of the economy. They have been in that situation for some little time. I don't know whether it is a month or 2 or 3 or 4 months, but for some little time. Apparently no effort has been made, and no intention is now in evidence that they are going to decontrol those commodities. If we are going to decontrol it would seem that we should decontrol as rapidly as these commodities come into a supply-demand situation.

Mr. VINSON. Has there been presented to the committee a list of the commodities decontrolled?

Senator BUCK. I have some here, Mr. Chairman, that have been presented.

Mr. VINSON. Well, I didn't know.

Senator MILLIKIN. May I ask that the list be inserted in the record?

The CHAIRMAN. Yes.

Senator BUCK. I would like to read some of these and to ask why in the world they ever put them under any control in the first place.

Pincushions, shoe horns, wax papers, dinner bells and chimes, book ends and ash trays when made from worn baby shoes, lightning rods and weather vanes, aluminum horse shoes, sleigh bells, dog beds, cushions and mattresses, magicians' tricks. Why in the world did the Government—I may say that those are only decontrolled in Hawaii. They still have control of them in this country. But why would the Federal Government take those kind of petty things and worry themselves about them, and a million more like them?

Mr. VINSON. I would not be able to give you any personal recollection about it.

Senator BARKLEY. I don't think there is any sensible reason.

Mr. VINSON. But while we were in the war, Senator, we were fighting to get goods that would go into war production. Now, I don't know what the sum total of that production—what materials that could go to war would go into that sort of objects, but I know that it would be some amount. I know they used to castigate me for fighting for control on fresh fruits and vegetables.

Senator MILLIKIN. Well, Mr. Secretary, you asked for that.

Mr. VINSON. That is all right, but I think there should be another list submitted, and as I understand there will be. Take the fight on fresh fruits and vegetables, they went on I think in the fall or winter of

1944. The argument was made for price control on fresh fruits and vegetables—

Senator BUCK. But why have price controls on sleigh bells in Hawaii?

Mr. VINSON. I just simply have to admit I don't know. Probably it was done on a blanket price-control order.

But watermelons were selling for \$2.50 apiece. Here in Washington oranges were actually priced to one person whom I believe at \$1.50 a dozen.

Now, on the watermelon end, the land could be used to produce food that was needed both by the civilians and the military. When the price ceilings were put on watermelons, they were fantastic compared to prewar prices—plenty high—but they were never high enough. There was a terrific fight in regard to price control on fresh fruits and vegetables at all.

Senator TOBY. Mr. Secretary, could I digress a minute to ask, can you advise the committee whether the tendency to cash in E bonds on the part of the small holder is increasing or diminishing?

Mr. VINSON. In the first 4 months of this year, as I recall it, the sale of savings bonds was in excess of \$2,800,000,000. Redemptions were \$2,500,000,000. I have here a table of cash receipts from and redemptions of savings bonds during 1946, which I would like to insert in the record.

(The table is as follows:)

Cash receipts from and redemptions of savings bonds during 1946

[In millions of dollars]

Date	Cash sales	Redemptions ¹	Excess of cash sales over redemptions
1946—January	960	629	330
February	622	565	57
March	626	634	-8
April	668	621	47
Total, January–April 1946	2,876	2,450	426

¹ Includes redemptions of maturing savings bonds.

Office of the Secretary of the Treasury, May 6, 1946, Division of Research and Statistics.

NOTE.—Figures are rounded and will not necessarily add to totals.

Mr. VINSON. It shows that in January 1946 cash sales were \$960,000,000, and redemptions were \$629,000,000; February 1946, \$622,000,000, and redemptions \$565,000,000; March, \$626,000,000, redemptions \$634,000,000; April, sales \$668,000,000, redemptions \$621,000,000, making a total for the first 4 months of cash sales \$2,876,000,000 and redemptions \$2,450,000,000, an excess of cash sales over redemptions of \$426,000,000.

Senator TOBEY. According to that table redemptions and sales are coming closer and closer to offsetting each other?

Mr. VINSON. I think, at least my information is that there is no large increase of redemptions. We feel that voluntary sales being that much in excess of redemptions shows a very fine continuation of the habit that has grown up in the minds of the American people to save.

I want to say to you, when we were discussing the continuation of a force to look after voluntary sales, that all groups in the country were anxious for that continuation. We have got a skeleton force but it is purely voluntary, industrial and labor leaders——

Senator TOBEY. And schools?

Mr. VINSON. And schools, that is right. Our skeleton force advises and cooperates and helps further the program.

Senator TOBEY. What I had in mind was that these are liquid assets that these people know they can cash any time; so that they are involved rather directly in the question of inflationary pressures.

Senator BUCK. The ones that have been cashing in their bonds have increased from month to month, has it?

Mr. VINSON. No, sir. It is rather steady. You take January—cash sales in January were \$960,000,000 and the redemptions were \$629,000,000, or an excess of cash sales over redemptions of \$330,000,000. In February of this year the redemptions were \$565,000,000; March, \$634,000,000; and April \$621,000,000.

Senator BARKLEY. How does that compare with new sales?

Mr. VINSON. For the 4 months more have been sold by \$426,000,000 than redeemed. Last year the total redemptions were \$5,558,000,000. For the first 4 months of this year it is \$2,450,000,000. Multiply that by three and you have \$7,350,000,000, which would be, if it went at that same rate through the year, \$1,800,000,000 more than last year, but we feel that at this time that is in pretty good shape.

Senator RADCLIFFE. Are those par values?

Mr. VINSON. No. The redemptions include accrued interest.

Senator RADCLIFFE. You mean present value?

Mr. VINSON. Yes.

Senator CAPEHART. Mr. Chairman, I would like to ask the Secretary a question.

The CHAIRMAN. Yes.

Senator CAPEHART. I gather you consider the Gossett amendment as written by the House as a crippling amendment. That amendment called for decontrol when production reached a level of 1940-41. Would you have called that amendment crippling had it called for decontrol when production reached 150 percent of 1940-41?

Mr. VINSON. Well, the actual effect of it on a particular item or a particular product or commodity might not be a harmful effect, but the trouble is the amendment doesn't go to a particular commodity. The amendment doesn't take into consideration, as I understand it, the unprecedented demand and the purchasing power that is present, and also the fact that as compared to 1941 even 150 percent might not be sufficient to approach the demand. Take nylon hose—this just occurs to me. I don't know what the figures are, but I am just talking with you. I don't know how many nylon hose were made in 1941, but I know 150 percent, if it were not a large amount, might not even start to meet the demand.

Senator CAPEHART. We had a witness from the nylon-hose industry yesterday afternoon. I think he agreed 158 percent production at the moment would be about the right figure to decontrol.

Mr. VINSON. I hadn't heard of it. I don't know what the base was in 1941, but when you have a general demand of this kind, 150 percent on nylons might work out and it might not.

Senator CAPEHART. Mr. Secretary, will you agree with this, that not only the Congress, but likewise the administration of OPA should be divided into two parts, or two categories; namely, foods on the one hand and, let us say, all the other commodities on the other hand, for the reason there is no pent-up demand for food other than what we might have in respect to the famine conditions in Europe. Therefore, the problem is entirely different in arriving at a decontrol formula. Will you agree with that statement?

Mr. VINSON. I don't know that I just get it.

Senator CAPEHART. Well, we have a demand for automobiles and durable goods and clothing, but there can be no pent-up demand for food.

Mr. VINSON. Oh, Senator, I couldn't agree with that.

Senator CAPEHART. Well, tell me, where is the pent-up demand for food?

Mr. VINSON. Just take anything that is in short supply. In a real sense, there is a pent-up demand for these things.

Senator CAPEHART. There is no pent-up demand—I mean people have been eating for the past 4 or 5 years.

Mr. VINSON. The pent-up demand is the money they hold and are willing to spend. They have eaten more than they used to eat, but they still can eat more and they have the money to buy it. I think you put your finger right on a very, very vital thing in the whole control program.

Senator CAPEHART. Your definition of a pent-up demand and mine are different. When I talk about a pent-up demand I am talking about a demand in which people have wanted to purchase something for the last 3 or 4 years and they haven't been able to buy it. They certainly have been able to buy food.

Mr. VINSON. They have been piling up their savings to buy the things they want.

Senator CAPEHART. That which they were unable to buy they are not going to be able to consume now. For example, I might have wanted a steak a year ago, and couldn't get it. I am not in a position to eat it now.

Mr. VINSON. I will agree with you on that.

Senator CAPEHART. My point is that the two categories are entirely different. Would you agree that an amendment of 150 percent or 175 percent that would require that the President automatically decontrol those items, or those industries, at that point, and a law further stating that within 3 months after that happened if the prices advanced, let us say 25 percent, they would be subject to recontrol?

Mr. VINSON. I wouldn't want to agree to that amendment, Senator.

Senator CAPEHART. Then your thought is that Congress should have absolutely nothing to do with writing the decontrol formula—that should be left entirely in the hands of the President or OPA?

Mr. VINSON. No, sir; I don't think I take that position. I take the position Congress has the power and the right to write any kind of an amendment that they want to write, but I say they should exercise that power with caution and restraint.

Senator CAPEHART. Well, Mr. Secretary, my position is that the calendar has absolutely nothing to do with this problem.

Mr. VINSON. The calendar?

Senator CAPEHART. Has nothing to do with it at all. That is, a given date has nothing to do with it. The thing we are looking for, and the thing that we want, is production sufficient to take care of the demand.

Now, that may come in one industry in 3 months. It may come in another in 6 months. There may be other industries that will not arrive at it for 2 years.

Mr. VINSON. That is right.

Senator CAPEHART. My position is that the Congress should try to write a formula where these items and industries can be decontrolled not on June 30, not on December 31, not on March 31, but can automatically be decontrolled when certain things happen, then give the Administration the right after a period of time if prices do rise to the point where they are inflationary, that they have a right to recontrol. My opinion is that if we do not write such a formula into this act we will be back here a year from now going over the same ground we are going over today.

My position, further, is that if we will write a fair, sensible, and liberal decontrol formula into this act that it will tell industry what they have to shoot at. It will tell the American people what to expect. It will have a tendency, in my opinion, to stop this wholesale buying, people overbuying, buying more than they need at the moment. I think it will go a long way toward stabilizing our national economy and getting rid of this continuous debate and argument that we have at the moment and have had for the last 2 or 3 years as to what is going to happen, or will not happen, and I believe that the Congress can intelligently write such an amendment, provided that we err on the liberal side of production. I think the Gossett amendment was right in principle, but wrong in the formula, because the formula was entirely too low.

Mr. VINSON. My thought would be—I am shooting from the hip—but my thought is that when you take a percentage basis, it is almost as difficult to arrive at a proper percentage as it is a proper date. I agree with you that the Gossett amendment in regard to the date would not be a very good thing.

Senator CAPEHART. Well, Mr. Secretary, may I ask this question then: If the Congress does not do it then OPA will themselves have to work out a formula to do it. Otherwise all controls will remain on until the expiration of this act, which the Administration is asking we extend to June 30, 1947. All right. Suppose June 30, 1947, would arrive and there is still a short supply in a dozen or 15 or 20 items. The act is expiring so that we will have to go through what we are going through here again to extend it. Then you may take the same position you did a moment ago, and others, that we had better leave it on everything because if the items are selling below ceiling it is hurting no one, so just let's leave it on everything for another year.

Mr. VINSON. I don't think I would be back here advocating that if you had only 12 or 15 items on which there are price premiums.

Senator CAPEHART. I could just as easily have said 100.

Mr. VINSON. It is a question of what those items are.

Senator CAPEHART. That is right.

Mr. VINSON. If they are basic and they go into the question of the cost of living I could see that you could take and decontrol everything except those. Folks who are closer to this than I am feel——

Senator CAPEHART. I am sincere about the suggestion for the reason I want to avoid inflation just as you do, and everybody else, and I just cannot reconcile the fact that you can do it by saying we are going to extend this thing until June 30, 1947, because to me it means nothing, unless during the interim or at that time the supply is within the demand of the products. I would much prefer to see us write a formula that would set up a goal to shoot at, so that the thing could automatically be done.

Mr. VINSON. The difference in our viewpoint in regard to that is this: I know that many sincere people think that the folks in charge of OPA and the economic front really want to just keep controls on, just for the sake of controls. But, gentlemen, if my experience there means anything, I would say to you that I know of no man on that front—and I mean the folks with whom I have worked, the folks at the top and at the staff level—for all of them, I say that in my judgment they would not be happy to have all controls continued. Most of them—the ones I am thinking of—all of them would be happy to have it washed out so that they could go home.

Senator CAPEHART. Well, Mr. Secretary, let's admit that. I think it is true—I am certain it is true of the top level.

Mr. VINSON. I go down to the staff level too, the ones that I know.

Senator CAPEHART. The argument has been advanced here that many manufacturers and producers have held up production. They have held merchandise in their warehouses because of higher prices, thinking that possibly OPA would be eliminated or be amended——

Mr. VINSON. Or that Congress might take some action that would help them.

Senator CAPEHART. Yes. All right. Now, you have that same situation existing prior to June 30 next year, and under the plan I am suggesting you will eliminate that condition entirely because every person in America, every producer and manufacturer will know that control is going to stay on until production reaches a certain level, and that certain level is a certain amount which he will know about. Therefore, there is no advantage to him in holding back, because the longer he holds back and does not produce, the longer controls are going to continue, the longer he is going to be irritated with controls.

Mr. VINSON. What base would you use to which you would apply your percentage, Senator?

Senator CAPEHART. Of course, frankly, what I would like to do would be to see this committee work closely with OPA in arriving at it. I would like to have OPA admit that is the way to do it and then have friendly conferences, everybody get down and say, "Here is the way to do it. Let's work together." I don't care whether it is 1940-41, or whether it is 1939, but I think that would be the way to do it, because I think it would be for the best interest of the Nation, if it could be done that way.

Senator TOBEY. I go along with you to quite a degree on this matter. I think you are thoroughly sincere; but when you come down

to the modus operandi where you determine the percentage or degree, you have got to consider several things. You have got to consider the growth of the country, for one thing.

Senator CAPEHART. Absolutely.

Senator TOBEY. You have got to go into the purchasing power and matters of that kind.

Senator CAPEHART. Absolutely.

Senator TOBEY. And that is a very difficult thing to determine.

Senator CAPEHART. It may be a little difficult, but I think the problems involved are much less than they are in trying to set a date and say that on June 30 we are going to eliminate controls, because, to me, that means nothing. Every witness that has been here, including the present witness, admits that we can decontrol only when we have big production. Big production will vary in different industries. It will not all happen on June 30. To me, this is the sensible, practical way to do it. If it cannot be done, I would recommend a close working arrangement for the next week with OPA in an effort to arrive at a formula; and I am perfectly willing, if I have anything to do with it, that the percentages be high enough to be safe—on the liberal side rather than on the other side. If you give industry something to shoot at, just as we did during the war, it will reach the objective; and then I think that if we can instruct OPA to be liberal and to act quickly on making adjustments where they are needed to be made, and permit those industries that are not now making a little profit to make one, in my opinion we would have the problem solved and would avoid inflation and will not be annoyed with this OPA problem as we are today.

Senator RADCLIFFE. Do you not think that the same objective might be reached if there were discretion to lift these restrictions in regard to any particular commodity whenever conditions would warrant? We all admit that it is exceedingly difficult to try to write any formula or forecast. A specific situation will arise, and somebody should have the discretion and be able to exercise it.

Senator CAPEHART. I would write into the amendment that the President has the right to decontrol at any time in his opinion it is safe and proper. I would write into the amendment that when production reached a certain point the commodity would automatically be decontrolled, and I would give the President the right to bring any item back into control where the price advanced to a certain percentage.

Senator BARKLEY. The President has the right to do that now, under the law.

Senator CAPEHART. Under the Second War Powers Act.

Mr. VINSON. Under the Stabilization Act.

Senator CAPEHART. I would continue that portion of the act.

Senator BARKLEY. That presumably would be continued in any event, no matter how the law is written here. The President has had that authority all the time, and still has it.

I would like to ask you this question, Mr. Secretary. One difficulty that I see about undertaking to fix any prescribed percentage based on any one year is that the demand might be higher than 1941 by more than 150 percent, or even 200 percent.

Mr. VINSON. That certainly is true.

Senator BARKLEY. You have to relate production to demand, and if any year is to be picked as a criterion, instead of saying 150 or 175

percent, if Congress is going to attempt to write a formula, would it not be better to relate production to demand in the same proportion as occurred in 1941, or whatever year might be used? In other words, if the demand now is 200 percent more than it was in 1941 in some instances, and production was only 150 percent of that in 1941, you would still be short of production in comparison with the demand.

Mr. VINSON. There is no question about that.

Senator BARKLEY. So, you cannot write a formula fixing any one year as the base without relating the amount that is in production to the demand that is in existence at the time?

Mr. VINSON. I think that is undoubtedly true; and if you took any particular year that would suit a particular commodity, it might be just simply terrible as to other commodities.

Senator BARKLEY. As between keeping controls on a little longer, and taking them off and having to put them back on again, I should prefer keeping them on a few months longer, because it is always more unsatisfactory and creates more friction and more instability in business to take them off for a while and then put them back because you acted too soon.

Mr. VINSON. That is right.

Senator RADCLIFFE. If there is an unlimited discretion now to remove controls whenever it seems at all desirable, is it not quite possible that a formula would have a restrictive effect which would not be desirable?

Mr. VINSON. I think that is true.

Senator RADCLIFFE. It might tend to defeat the very purpose you have in mind.

Senator CAPEHART. How could it possibly have a restrictive effect?

Senator RADCLIFFE. If you set a formula it imposes some restrictions upon the exercise of presidential discretion.

Senator CAPEHART. Oh, no.

Senator RADCLIFFE. If the President now has unlimited power, and you write a formula which puts some fetters upon the exercise of that power, a situation might arise, theoretically speaking, when the President, if he had unlimited power, would go ahead and exercise it, but he cannot do so because some restrictions have been imposed in the law.

Senator CAPEHART. I would give the President the right, which he at the moment, to decontrol any time he cared to do so, and any item can be brought back under control at any time.

In answer to Senator Barkley's 150 percent, I agree. I think I know some items at the moment on which the formula should be 200 percent. My position is that OPA, with all of its knowledge and wisdom about figures—because it must deal with them—could advise this committee, in my opinion, within 72 hours what percentage of controls should be lifted, in their opinion.

Senator TOBEY. You are quite correct about the advisability of having OPA come down and meet the committee from time to time. One of the conclusions around the room in this committee was that that policy was set up, and they would come down here; but a year has elapsed and they have never come down except to get the act renewed. I think it is desirable to insist upon that.

On this matter of decontrol and recontrol there is something of an analogy in the story of the man who sat before his evening fire one

night reading his paper, and he looked across at his wife and saw for the first time that she had applied facial make-up. He said, "Go up and take the stuff off." She did; and when he saw her again he said, "For heaven's sake go put it on again."

That is recontrol. We may have to do that in a lot of instances.

Senator CAPEHART. You have to do it under the law, which states that the act expires at a given time. But that does not change the principle.

Senator BARKLEY. As a companion story to that of Senator Tobey, I am reminded of the young man who was interested in two girls, one of whom was pretty and the other was ugly, but could sing. He married the ugly one, and after they returned from their honeymoon he was looking at her and said, "For God's sake, sing."

Senator MILLIKIN. Mr. Secretary, what is the purchasing value of of the dollar today as compared with its purchasing value, say, at the beginning of the war?

Mr. VINSON. At the beginning of our participation in the war?

Senator MILLIKIN. Well, say 1940 or 1941.

Mr. VINSON. The increase in consumer prices is a little over 30 percent. The decreased purchasing power of the dollar is about 25 percent.

Senator MILLIKIN. We have had a lot of discussion, Mr. Secretary, about whether or not we can decontrol by formula. Passing the question of formula, do you agree that when a particular item comes in balance, that is to say, when supply equals demand, you should decontrol?

Mr. VINSON. I start with that premise, Senator, but I think you have got to view that particular commodity in its relationship to other commodities.

Senator MILLIKIN. And look for what?

Mr. VINSON. As to the effect of the decontrol upon other commodities into which this commodity may go. Of course if you actually have full supply there is much to be said in regard to decontrol; but I think you have got to deal with relationships. Take petroleum, for instance. Certainly there is enough crude. Now, if the price of the basic material that goes into gasoline, lubricating oil, and a lot of other things, goes up, then of course you have increasing prices for the products of which this is a basic constituent.

Senator MILLIKIN. The testimony has been that petroleum, for example, is more than in balanced supply and that the normal products of petroleum, such as gasoline and lubricants, are more than in balanced supply. We look at that picture. Under your theory, what else do we look for in collateral matters?

Mr. VINSON. If it would not have any effect upon the collateral matters, and you were certain—and I think I would be certain in regard to the production of crude—then I think that real consideration should be given to decontrolling.

Senator MILLIKIN. I have had some experience in the production of crude. I was just wondering what those collateral matters were that we should be looking at. You said a while ago, and it disturbed me a little bit, that even though an item comes into balance, nevertheless, if, through the operation of a balanced position there should be an increase in price, you might not take it out of control. Did I understand you correctly?

Mr. VINSON. Yes. Take wheat, for instance.

Senator MILLIKIN. Let us take petroleum and assume that we are in balance all along the line, under the premise that we have been discussing, that is, an item which is ripe for decontrol. Let us suppose that the inner situation in the industry is such that even in balanced supply it should take a little more price, would you say that in a case of that kind we should not have decontrol?

Mr. VINSON. When you get a little increase in price I hesitate.

Senator MILLIKIN. Just to go to an extreme, let us make it more than a little; let us say that it is a substantial increase in price.

Mr. VINSON. If it is a substantial increase in price I would think that it should not be decontrolled.

Senator MILLIKIN. Then, to your formula you have two angles: you have a balanced condition of a particular item, plus somebody's guess as to where the price might go under that balanced condition. Is that correct?

Mr. VINSON. It is a little more than a guess, with the folks who work with it, Senator.

Senator MILLIKIN. Take out "guess" and make it "prediction resting on observed facts." If it is in balance and the administrative agency takes a look at the item and says that even though it is in balance it is going up 20 percent in price—or forget the exact percentage and let us say that it is a substantial increase—then, under your formula, you would not decontrol?

Mr. VINSON. I would not. And if it were in balance all along the line today, taking petroleum and petroleum products, just thinking out loud, I would look forward a short time to a possible increase in demand.

Senator MILLIKIN. I think in the case of petroleum, if you decontrolled it, there would be some rise in gasoline prices, for example. I think you have made it very clear that you would apply the same formula to other important items?

Mr. VINSON. Yes, sir. Take wheat, for instance.

Senator MILLIKIN. How will we ever get out of control?

Mr. VINSON. Take wheat. Let us assume that we are in balance on the domestic front, on wheat bread and whatever wheat goes into. We take domestic wheat and ship it to a hungry world. Then you are immediately out of balance.

Senator MILLIKIN. That is a strong argument for some system of recontrol.

Mr. VINSON. But the matter of going out of control, Senator, has really a terrific impact.

Senator MILLIKIN. I can see how you might have a flash balance.

Mr. VINSON. That is right. Now you are getting my philosophy. I would stop, look, and listen in regard to a flash balance.

Senator MILLIKIN. I can see how you can have a flash balance, but if after thorough study of the facts you find that you do not have a flash balance—

Mr. VINSON. The control would go off.

Senator MILLIKIN. And even though under the kind of a balance which is not a flash balance, there might be a rise in price, would you take it out or not?

Mr. VINSON. Why would there be an increase in price if it is in balance?

Senator MILLIKIN. I think that during the period of control we have been under there are some items which, even if they were in

balance, would not reflect just costs in the industry. I think petroleum is one of those cases.

Mr. VINSON. I want to say to you frankly—I may not be in line with the thinking of a lot of witnesses—that the law says a fair and equitable margin; and my notion is that that fair and equitable margin should be maintained. If that means a price increase, a price increase it should be.

On your cost angle, when you have increased costs I certainly think that there should be a price increase unless you can have a fair absorption. The law says a fair and equitable margin; but I did not agree on a certain article that I have in mind which is nationally advertised, and sold for \$64 before the industry went to war work. The cost of that article, as I recall it, was \$16 plus. By the time it got through the hands into which it went and reached the consumer, being sold by house-to-house salesmanship in large degree, the sale price to the consumer was \$64. The industry ceased producing for war. They were going back into the producing of their peacetime product, and the increase in cost, according to their table, was \$4 plus, and they wanted a price increase from \$64 to the consumer to \$95.

Senator MILLIKIN. I assume that that was a controlled item and it was probably an item in short supply?

Mr. VINSON. It was an item that certainly the housewife wanted. But the idea of an increase in cost, according to their own figures, of \$4 plus, and then wanting to sell it to the consumer for \$31 more—I just couldn't see that.

Senator MILLIKIN. Mr. Secretary, I am driving solely at important items which are in a state of balance and which are not in a state of flash balance. We proclaim that we are trying to bring this country back to a normal situation. What has disturbed me in your testimony is that you have added one additional factor, and possibly two. You have said that if this thing is not in flash balance but is in real balance—

Mr. VINSON. Real balance in relationship with the demand.

Senator MILLIKIN. Real balance in relationship with demand. And that is not a flash balance. You have added the thought that even in that case, if the adjustment of the industry happened to take the price up while in that condition, you would not decontrol. Of course that alarms me, because, in my judgment, in that kind of a situation, we will never get anything decontrolled.

Mr. VINSON. I want to state this very clearly. These matters are really very complex.

Senator MILLIKIN. Yes; they are.

Mr. VINSON. If an item was in real balance in relationship with the demand, I would want to study a long while before I would say that that item should not be decontrolled. There might be some factors that I do not think of now, but I would study a long time about it, Senator, before I would say it should not be decontrolled.

Senator MILLIKIN. It is perfectly clear that if you did not decontrol then, you never would decontrol.

I am very much gratified with that ending.

Now we come down to a question of ascertaining whether a particular item is in the state of balance that we are talking about. The evidence here, on a number of items, including petroleum and several others—all the evidence we have had indicates that they are in a true

state of balance under the history of the particular industry. That being true, it would seem that those items should be decontrolled administratively. If they were decontrolled administratively we would have no problem here. But they are not decontrolled.

On the assumptions, which I do not ask you to accept, but on the assumptions that I have been going on, if we conclude that these items are in a real state of balance and if we cannot get administrative relief, what alternative have we but to take them out by congressional action?

Mr. VINSON. With the assumptions that you make, when something should be done and has not been done, of course Congress can act. But I would want to take a look and have the whole picture before me before I would know that decontrol should be made administratively.

Senator MILLIKIN. I would not for a moment put you into the position of committing yourself to any particular decontrol. I do not want a profligate decontrol. I have been probing all through these hearings to try to find out where we must decontrol legislatively, if there is any place where we must do it; but I have also been trying to find out what is the proper decontrol formula, and I can think of nothing else than a plain-English statement of what you and I have been talking about.

So far as decontrol is concerned, I can see where Congress might misguess, or I can see where the Administrator might misguess and that what was thought to be a real state of balance was only a flash balance. I am rolling around in my head the fact that we have a very big problem here, and I do not believe that anyone is approaching it in a reckless, profligate spirit.

Senator MURDOCK. If I have followed you correctly, Mr. Secretary, on decontrol, you take the position that an item-by-item decontrol, under a rigid formula, would not successfully work by reason of the relationships between the items which are decontrolled and some other items that are not. I am wondering if this might happen. I do not know just who controls the manufacture of nylon or rayon stockings, but it seems to me that under the theory mentioned, this might happen. Let us say that nylon stockings reach the figure set out in a rigid formula as suggested by the Senator from Indiana. Say that nylons and higher-priced stockings were decontrolled, and rayon stockings are still controlled. Might it not work out this way, that manufacturers could very easily slow up on the manufacture of rayons and thereby increase the demand for nylons?

Mr. VINSON. They might make more profit on nylons.

Senator MURDOCK. It seems to me that if we are going to adopt a rigid formula, such as that suggested by the Senator from Indiana, it must be done as categories of products having a close relationship to each other, rather than an item-by-item decontrol.

Senator CAPEHART. I agree with that 100 percent. It would take 58,000,000 pairs to satisfy the demand in the next 12 months; that is, cotton, nylon, and rayon hose, all types of hose.

Senator MURDOCK. Suppose that right now while we have a terrific coal strike in the country the stock of fuel oil would reach the figure in your formula: then what happens? Automatically we would have to decontrol. Automatically, as I see it, the price of fuel oil would begin to mount and mount, and there would be a terrific unbalance, in my opinion, brought about by such a rigid formula.

Senator CAPEHART. I do not think you take a good example, but I think your principle is correct. You could only consume the amount that you had oil burners to consume.

Senator MURDOCK. Right there: You might find people immediately going to oil burners instead of depending on coal after the strike is over.

Mr. VINSON. And bidding up the price of oil burners.

Senator MURDOCK. It seems to me that those are the things that militate against the rigid formula that you are suggesting.

Senator CAPEHART. I think the same thing can be said of a given date, because if the coal strike should last 2 or 3 or 4 weeks or a month and close practically every industry, then you have delayed conversion and production to the point where you possibly would not dare to decontrol on June 30, 1947. The same thing, I think, applies under both principles.

Senator MURDOCK. Congress will be in session for months prior to the fixed date. I am hopeful that we will not have to extend it again. We have an election. Congress will be in session. That is the only reason for putting in a date at all.

Senator MITCHELL. Mr. Secretary, it is your testimony, is it not, that OPA has the power and the desire and the ability to decontrol in the interest of the American people?

Mr. VINSON. Yes, sir.

Senator BUCK. Mr. Secretary, in your statement you say that we are reducing Government expenditures. May I ask whether you have in mind any item other than what might be classed as a war expenditure? I do not see how there can be a reduction in Government expenditures, by sitting in Congress and seeing the way we have been appropriating money in recent years. I cannot think of any saving we are making.

Mr. VINSON. Oh, I think you have reduction in expenditures in a number of the executive departments and agencies.

Senator BUCK. You mean that they are not spending what has been appropriated for them?

Mr. VINSON. I could not speak to that.

Senator BUCK. The appropriations have been increasing from year to year in recent years.

Mr. VINSON. I am talking now about the present time and for fiscal 1947. Sometimes you look at figures and see an increased expenditure, but there has been a transfer of activities to that particular agency. Take the Treasury Department, for instance. The Coast Guard came in from the Navy back to the Treasury on January 1. You have got to take into consideration the increased functions. There have been some mergers. Take the disposal of consumer goods; that is, in the surplus field. That formerly was in the Department of Commerce. That has gone over to RFC, and now to War Assets Administration.

Senator BUCK. Is there any saving there?

Mr. VINSON. When you look at the figures you see that this agency has an increased expenditure; the other one would have a decreased expenditure.

Senator BUCK. The sum total statement of yours is that the Treasury expenditures are less than they have been in prior months?

Mr. VINSON. Yes.

Senator BUCK. I am interested to know what is the saving other than the reduced cost by reason of getting out of the war.

Mr. VINSON. The total budget, less the aftermath of war expenditures subtracted from the total budget—that sum is much less than people generally recognize. I would like to put into the record a table, a break-down in regard to that, because I have looked at it and studied it, and I think it would be interesting to you and other members of this committee.

Senator BUCK. I would like very much to see it.

(The table referred to is as follows:)

Analysis of Governmental expenditures for the fiscal year 1945 and the fiscal year 1946, through May 6

[Dollar amounts in billions]

Expenditures for—	Fiscal year 1945		Fiscal year 1946, through May 6	
	Amount	Percent of total	Amount	Percent of total
I. War.....	\$90.5	90	\$44.3	81
II. Aftermath of War:				
Veterans' Administration ^{1 2}.....	.9	1	2.0	4
Interest on public debt.....	3.6	4	3.2	6
Refunds of taxes and duties ³	1.7	2	2.1	4
Total.....	6.3	6	7.3	13
III. Operation of Government ⁴.....	.9	1	.7	1
IV. All other: ⁵				
Aid to agriculture ^{2 6}	6.8	1	.9	2
Social-security program ^{2 7}.....	.5	(⁸)	.6	1
Public works ⁹.....	.3	(⁸)	.3	1
Transfers to trust accounts, etc.....	1.6	2	1.8	3
International finance ¹⁰.....			.5	1
Government corporations ¹¹	-.8	-1	-1.6	-3
Total.....	2.4	2	2.5	5
Grand total.....	100.0	100	55.0	100
SUMMARY				
War and aftermath of war.....	96.8	97	51.7	94
All other.....	3.3	3	3.3	6
Total.....	100.0	100	55.0	100

¹ Includes public works undertaken by the Veterans' Administration.
² Does not include transfers to trust accounts, etc.
³ "Refunds of Taxes" include amounts transferred to public debt accounts to cover issuance of excess-profits tax refund bonds and exclude refunds of taxes under the social-security program.
⁴ Excludes expenditures for the United States Maritime Commission, departmental expenditures under the Social Security program and the Department of Agriculture departmental expenditures.
⁵ Consists of Administration of Sugar Act of 1937, Agricultural Adjustment Agency, exportation and domestic consumption of agricultural commodities, Farm Credit Administration, Farm Security Administration, Federal Farm Mortgage Corporation, Federal land banks, Rural Electrification Administration, Soil Conservation and Extension Service, Department of Agriculture departmental expenditures, and other.
⁶ Includes \$257,000,000 for restoration of capital impairment of Commodity Credit Corporation applicable to fiscal years 1943 and 1944.
⁷ Includes railroad retirement and railroad unemployment activities and excludes expenditures made by Office for Emergency Management, War Manpower Commission (U. S. Employment Service) under authority of Social Security Act.
⁸ Less than \$50,000,000, or 0.5 percent.
⁹ Includes public buildings, public highways (including forest roads and trails), river and harbor work and flood control, Tennessee Valley Authority, Federal Public Housing Authority (formerly U. S. Housing Authority), reclamation projects, and the Public Works Administration. Excludes certain expenditures for public works in connection with war activities by the Federal Works Agency.
¹⁰ Includes expenditures for the International Bank and Monetary Fund and capital stock for the Export-Import Bank of Washington.
¹¹ Net transactions in checking accounts of Government corporations, other than the sale and redemption of obligations in the market and the net expenditures of the Reconstruction Finance Corporation for war activities.

Source: Office of the Secretary of the Treasury, Division of Research and Statistics.

NOTE.—Figures will not necessarily add to totals due to rounding.

Senator RADCLIFFE. Do you feel, Mr. Secretary, that this aftermath of war activities is running down quite rapidly at this time, or have conditions risen which delay this reduction of aftermath expenditures contrary to what you expected?

Mr. VINSON. I would have to say that probably there are some expenditures that will be made under appropriations by Congress that will probably be larger than may have been at one time anticipated, due to conditions.

Senator RADCLIFFE. Generally speaking, you think the rate of decline is satisfactory, outside of any extraordinary expenditures which, as you say, might be occasioned by congressional appropriations which might not have been contemplated?

Mr. VINSON. The way we view that is from the standpoint of the estimates that were made. The decline in expenditures has been much greater than it was estimated they would be.

Senator RADCLIFFE. There is quite a general impression throughout the country that the reduction in what might be called war expenditures had not been as fast as some people expected. What is your opinion about that?

Mr. VINSON. Of course there has been a material reduction in personnel in some activities, and some increased personnel in others. I was thinking of that when I referred to the personnel of the Treasury when the Coast Guard came back. That was one of the things I had in mind. I am told that we have 400,000 civilian personnel engaged in services abroad. I do not have the figures as to the number of civilian employees here.

Senator CAPEHART. I think it is 465,000. The figure was placed in the Congressional Record a few days ago by Senator Byrd.

Mr. VINSON. Here or abroad?

Senator CAPEHART. There are 2,900,000 in the entire personnel.

Mr. VINSON. I think the total is a little under that.

Senator CAPEHART. The figure was placed in the Congressional Record a few days ago.

Mr. VINSON. I will at this point in my testimony insert, with the permission of the committee, a statement in regard to personnel.

The CHAIRMAN. That may be done.

Senator RADCLIFFE. And will you mention the number abroad, and also, as nearly as you can, the number of those located in this country whose work is concerned with our duties abroad? I assume there are quite a large number of people in this country who are really working on matters concerning our overseas problems.

Mr. VINSON. We will see what we can do about that. It strikes me that it would be a sort of a rough figure in regard to that, but it may be that we can get something even better than a rough figure.

Senator RADCLIFFE. It would be a substantial figure, I should think, would it not?

Mr. VINSON. I have no doubt about that.

(The following was later received for the record:)

(The data with respect to the number of civilian employees are as follows: The total number of paid civilian employees in the executive branch in the continental United States on March 31, 1946, was 2,379,389, according to the preliminary report of the Civil Service Commission. These paid employees were divided as follows:

War Department.....	721, 599
Navy Department.....	491, 659
Emergency agencies.....	86, 488
<hr/>	
Total war agencies.....	1, 299, 746
Other agencies.....	1, 079, 643
<hr/>	
Total all agencies.....	2, 379, 389

The corresponding preliminary figure for paid civilian employees serving outside the continental United States on March 31, 1946, was 462,300. A large number of the employees serving in the United States are engaged in duties having to do with the activities of the United States abroad. Unfortunately, however, it is impossible to secure an estimate of how many employees are so engaged.)

Senator HICKENLOOPER. Mr. Secretary, this philosophy of decontrol has been discussed here, especially with respect to commodities that are in balance with demand as a more or less established fact. Taking their relationship with other possible price rises of commodities as at least one measure of whether or not they should be decontrolled, it would seem to me to be an argument for permanent control of our economy. I do not mean to suggest that you are arguing for any permanent control; but there never is a time in this economy, in peacetimes, where certain conditions in relation to other commodities do not cause fluctuations in prices. We could have a coal strike 10 years from now that would probably cut down the supply of many things, shut down factories, and have a terrible effect all the way through our economy. If that is to be the yardstick, then what would be the reason for not adopting a policy of permanent peacetime controls whenever some unusual situation, such as a coal strike, occurs, having its repercussions on other industry and affecting prices?

Mr. VINSON. My notion, Senator, is that after we get out of the woods we can avoid that which has happened in other countries very disastrously, and that which happened after World War I. I am speaking now of dangerous inflation. When we get out of the woods with our productive capacity we are going to have what a lot of us have already been thinking about—a look toward the disposition of surpluses. I know that you do not think that I want to have a controlled economy.

Senator HICKENLOOPER. I did not assume that. I said that a moment ago.

Let us consider a frost in the orange-producing areas in normal peacetimes, or let us take a failure of the lettuce crop in Salinas, or down in the Imperial Valley.

Mr. VINSON. Just give us a breathing spell for a year or so, and then if you have that situation, just let them get whatever price they can get, and I will not be mad about it, because then maybe I will get some taxes from them.

Senator HICKENLOOPER. I would agree that that would be a free economy, a competitive economy; but if at this time products are in normal supply, then I see no reason for considering the ordinary vicissitudes of nature, if you please, or the economic conditions that may arise. Taking the coal strike as an illustration, I see no reason why those things that occur in peacetime as well as at other times should operate as an excuse to keep price control on commodities that otherwise are in normal balance in our economy. In other words, if that argument is good now, I would say it would be just as good 10 years from now.

Mr. VINSON. That argument could have been made and probably was made after the guns quit cracking in 1918. I have a clear picture, Senator, of what happened. People thought they had a lot of money; they thought they had it in their banks and in their pockets, and prices skyrocketed. Down in Kentucky we have an old saying—we used to spit on a chip and throw it up in the air and say, "What goes up must come down." We had a depression that did not help anybody.

Senator HICKENLOOPER. But that is not the condition that I am talking about.

Mr. VINSON. I am talking about that condition.

Senator HICKENLOOPER. I know; but the situation I suggested is where goods are in normal supply for the demand. I do not think there is any question but what after the last war the thing that caused the skyrocketing was the short position of consumers goods. When the supply caught up to the demand we had an immediate falling off.

Mr. VINSON. If, after considered judgment, after I had looked at the relationship of supply and demand, I should reach the conclusion that production was in full supply, I would take the controls off.

Senator HICKENLOOPER. I think there are a number of fields of production where, as indisputably shown by the evidence, it is equal to the demand and in a current steady production channel.

The CHAIRMAN. As I understand it, Mr. Secretary, you are going to have a conference at 12:05?

Mr. VINSON. Yes, sir; but not on this subject, gentlemen.

Net receipts and expenditures during 1946

[Millions of dollars]

Date	Net receipts	Expenditures ¹	Excess of expenditures
1946—January.....	3,819	4,928	1,110
February.....	3,678	3,508	-170
March.....	5,747	3,962	-1,785
April.....	2,677	4,238	1,560
Total, January–April 1946.....	15,922	16,637	715

¹ Including Government corporations.

NOTE.—Figures are rounded and will not necessarily add to totals.
Office of the Secretary of the Treasury, May 6, 1946, Division of Research and Statistics.

Estimated decline in prices to the farmer for selected products after World War I

Product	Unit	Estimated 1919–20 high		Estimated 1920–22 low		Per- cent de- crease
		Date	Dollars	Date	Dollars	
Cotton.....	Pound.....	April 1920.....	0.375	April 1921.....	0.094	75
Corn.....	Bushel.....	August 1919.....	1.883	November 1921.....	.417	78
Hogs.....	Hundredweight.....	do.....	19.30	December 1921.....	6.52	66
Tobacco:						
Burley, Kentucky.....	do.....	December 1919.....	47.23	December 1920.....	11.04	77
Flue-cured, 4 States.....	do.....	November 1919.....	68.11	November 1920.....	24.11	65
Wheat.....	Bushel.....	June 1920.....	2.56	September 1922.....	.892	65

Office of the Secretary of the Treasury, Division of Research and Statistics.
Source: Price data for flue-cured tobacco from State Warehouse Sales Reports; burley tobacco from Reports of Commissioner of Agriculture of Kentucky; data for other products from Agriculture Yearbook of 1926.

The CHAIRMAN. At 1 o'clock there is a vote on the Senate floor. We have Mr. Wyatt here, and I am sure we all want to hear him.

We will take a recess at this time until 2:15 this afternoon.

(Whereupon, at 12 m., a recess was taken until 2:15 p. m. of the same day.)

AFTERNOON SESSION

The committee reconvened at 2:15 p. m. upon the expiration of the recess.

The CHAIRMAN. The committee will come to order.

Mr. Wyatt, we are very happy to have you here.

STATEMENT OF WILSON W. WYATT, NATIONAL HOUSING ADMINISTRATOR—HOUSING EXPEDITER, WASHINGTON, D. C.

Mr. WYATT. Mr. Chairman and members of the committee, the veterans' emergency housing program is primarily a production program, rather than a price-control program. I appear before you only because in these times there is a vital economic relationship between production achievement and price policy. That the two are closely related is admitted even by those who would immediately do away with all price control. For their main argument is that any price control impedes production, and that doing away with all price control immediately would accelerate production.

This committee, I may say, has certainly recognized the existence of this vital economic relationship between the production of emergency housing for veterans and sound price policy. This has appeared during the course of the housing hearings, and is reflected in the housing bill reported by this committee and approved by the Senate.

The reason why I stress that the emergency housing program is primarily a production program, although related to price policy, is this: I believe that we are in a stage where production should be the major theme, and price control the supporting theme, rather than vice versa. Where the choice is between speeding up production through some increases in prices, and maintaining absolutely stable prices at the sacrifice of additional production, I emphatically favor the former alternative. For only by increasing production rapidly can we move to a more normal economic situation, where increasingly the wartime controls can be sloughed off.

But there is a vast difference, under present conditions, between using price policy to increase production, and having no price policy whatsoever through discarding all price controls with reckless haste. The latter course, I profoundly believe, would neither speed up production nor put high production on a healthy and sustained basis. And that is why I fear such a course.

Senator MILLIKIN. Mr. Wyatt, I don't know of anyone who proposes that. Who is proposing that?

Mr. WYATT. I feel, Senator, that the amendments that I will take up later in this testimony have virtually that effect. That is why I fear such a course.

My statement to you that I favor reasonable price adjustments, and price increases where necessary as a stimulant to production, is more than just words. Over the past few months, we have matched this declaration of principle with effective action.

In my previous testimony before this committee, when the Patman bill was under consideration, I stated that price increases for building materials would be used wherever industry-wide production costs required the setting of higher ceiling prices. Many such price adjustments have been made in recent months by the Office of Price Administration, with the advice of the Civilian Production Administration and the National Housing Agency. These have had a marked effect in stimulating the output of many critical building materials. The list of individual commodity actions is long and detailed, and I shall not take the time of the committee to recite them all. The exact specific list of all these price increases that have been taken during the past year, particularly during the past few months, will be filed as an appendix to this testimony, setting forth specifically what they are.

Senator MITCHELL. Are you filing that?

Mr. WYATT. I will file that with my testimony—I would like to—yes, sir.

Senator MITCHELL. I thought it had been filed before by the OPA. We asked for it before. I just wonder whether it was necessary.

Mr. WYATT. Senator Mitchell, I don't know. I haven't had an opportunity to follow the hearings that closely. We will check that and if it is in the record we will not duplicate it. If it is not in the record we will file it.

But a number of outstanding examples will illustrate the success which the realistic attack on this front has made in breaking the cost-price bottleneck in production.

During the latter part of 1945, three general price increases were authorized for cast-iron soil pipe. These were ample to place the industry in a satisfactory profit position, and since that time price has not been a significant impediment to production. Brick and structural clay tile have had a series of price adjustments to permit this industry to adjust itself to the postwar labor market. These adjustments have been notably successful not only in stimulating many present producers to operate close to kiln capacity, but also in bringing about a reopening of many plants which have been closed for years.

Senator BANKHEAD. Was the adjustment up?

Mr. WYATT. Yes, sir. There was a price-ceiling increase.

The recent increase in the output of brick has been indeed encouraging, and further gains are now in sight. Of course, many shut-downs are occurring now because of the coal strike; the production of building materials along with the rest of the national economy are feeling the impact of the coal shortage as fuel stockpiles are exhausted.

Lumber and its related products have been the subject of over 25 separate price actions in the period from VE-day to April 20, 1946. That is merely the date of the last compendium of price increases made.

Ceiling price increases for 11 major lumber products have been recently authorized or are presently in process of formulation. These should go far in eliminating any general price problems which remain in the industry, and aid in carrying forward the upward trend in production that began in January of this year.

Going over the whole list of critically short building materials, we find that there have been or are now pending over 100 separate price adjustments on an industry-wide or regional basis since VE-day.

Out of that list of approximately 100, something over 90 have been completed, and approximately 10 are now in the hopper for final determination within the next few days.

Senator BANKHEAD. Where those increases have been granted you have had a satisfactory increase in production?

Mr. WYATT. We have had an excellent increase in production but still not enough to take care of the total picture. It is still somewhat in the position it was in when I appeared before the committee a few weeks ago and stated that without premium payments we don't see the possibility of attaining sufficiently high goals to take care of the housing program.

Senator MILLIKIN. The price increase did stimulate production?

Mr. WYATT. It did.

Senator MILLIKIN. You didn't have to go crazy and go into extensive inflation in order to get that production?

Mr. WYATT. It has always been our general position that where increases in price ceilings are required to get production they should be granted.

Senator MILLIKIN. Have you developed your program far enough on any specific material to know just what you are going to have to do along the subsidy line to encourage full production or to bring out full production?

Mr. WYATT. Do you mean as to which commodity will require it?

Senator MILLIKIN. Any one commodity in which you now know just what you are going to have to do if the money is available.

Mr. WYATT. Pending the final enactment of the law, we have had under consideration by CPA and OPA and ourselves all the range of commodities which are in critically short supply to see which ones we think will lend themselves best to the utilization of premium pricing. But before that goes into effect we would obviously want to have industry consultation and we haven't finally determined the specific goals.

Senator MILLIKIN. You haven't gone far enough to say just what extra production any single premium payment might bring out?

Mr. WYATT. No; we haven't those specific items. I just came from a meeting with Jack Small and Paul Porter and Jim Brownlee and our respective assistants, in which we were talking about various phases of the building material market, and we are agreed that without premium payments for production we cannot possibly achieve our goals on certain things. It will require that additional stimulus, beyond the price increases.

Senator BANKHEAD. How are you going to adjust those premium payments, on a percentage of output or increased output?

Mr. WYATT. That will vary with the commodity. In some of them they will be in the high cost field, such as pig iron. Some of them will be in isolated plants. Many of them will be industry-wide, across the board. It varies with each individual one. The situation on one commodity is different from what it is on another commodity.

Senator BANKHEAD. Your program covers pig iron?

Mr. WYATT. To the extent that pig iron goes in the housing field; yes, sir. We were critically short of it even before the coal strike and saw no way we could get enough pig iron without premium payments. For instance, a number of plants have closed within the last 10 days.

Senator BANKHEAD. We had a witness here some days ago from Birmingham, Ala., Mr. Morrow, with whom I was in college. He had charts showing the incentive payments on pig iron. Of course, he hadn't put your plan in but there was a great reduction in the production of pig iron and he insisted they had to have some additional incentive.

Mr. WYATT. We are in accord with that statement. We think it is going to take additional incentive to get the production that is needed.

More than 90 of such adjustments have already been made. These have been necessary to keep this section of our national economy adjusted to the generally increasing price level, as well as to help these industries in moving from the lower output rates of the war period toward the greatly expanded demands imposed by the current housing emergency.

The results of recent price actions are reflected in the weekly index of wholesale-building-material prices reported by the United States Bureau of Labor Statistics.

Senator MILLIKIN. Mr. Wyatt, I wanted to get clear whether I understood you correctly. Are you going to make premium payments all the way across the board in certain industries?

Mr. WYATT. As we pointed out, Senator, in the testimony, or as I did, in appearing before this committee on the housing bill, there will be some instances where definitely that would be true, that is, where there are bulge costs. To get additional production, where bulge costs, not continuing costs, are involved, premium payments, we believe, should be utilized to cover the bulge cost of the additional output. Where on the other hand costs are continuing costs, we believe that should be done by a price-ceiling increase rather than by premium payments.

Senator MILLIKIN. I don't understand your distinction between bulge costs and the other type of costs to which you referred.

Mr. WYATT. If they are costs that are going to be of a continuing nature, let us say, it is an increase in the cost of labor, and that is on a continuing basis, then that is one we believe must be reflected in a price-ceiling increase. In other words, Senator, at the end of these production subsidies—we do contemplate that they come to an end, so when they do we don't want that burden to be dumped in the lap of a manufacturer and say, "All right; it is up to you to work it out from now on."

But if, for example, he has overtime that is necessary while various plants are being expanded, that could be termed a bulge cost, an unusual and temporary cost that could be covered by premium payments.

To get back to the BLS index, on April 20, 1946, this index stood at 126 [1926=100], while on March 31, 1945, the corresponding figure was 116.9—an increase of 7.8 percent in slightly over a year. Most of the rise has occurred since VJ-day, for on September 1, 1945, the index stood at 117.6. Many of the individual constituent materials have had greater price increases than the average of the group; lumber is an outstanding example.

In short, we have been following, and I believe successfully, a policy of rational price adjustments. It is perfectly clear that, under existing conditions, there can be no policy of rational price adjustments unless there is a basic framework of workable price control.

Senator BANKHEAD. Just what power have you on price adjustments?

Mr. WYATT. Under the provisions as written in the Senate, Senator Bankhead, there is authority to issue a directive to OPA for a price increase in the event there should be failure of agreement between OPA and ourselves. That has not been necessary because they have agreed with us on each one they have brought up.

Senator BANKHEAD. But where they don't agree you can order it? In other words, you have the power?

Mr. WYATT. That is correct.

Senator BANKHEAD. You have the power to adjust prices?

Mr. WYATT. Yes, sir.

Senator BANKHEAD. How wide a spread is that; how broad is that? Everything that goes into house construction?

Mr. WYATT. Those things necessary for the housing program. It is that broad.

Senator BANKHEAD. Directly and indirectly?

Mr. WYATT. Yes, sir; it is that broad.

Senator BANKHEAD. Wherever you touch a thing you are going to need in housing, you have that power?

Mr. WYATT. Under the bill as passed by the Senate that would be true, and I think the bill likewise that passed the House. That is one provision, I think, on which there was no disagreement.

For the reasons I have indicated, I believe that the very persons who are most active in advocacy of price adjustments to speed up production should be the first to recognize that the premature discarding of price control would make it impossible to do just what they say needs to be done.

True, in the long run, when the supply begins to catch up with the demand, we will all look to the free play of competition to effectuate rational price adjustments, without any foundation of price control on which to rest Government participation in this task. But to withdraw this foundation with excessive haste would, I feel certain, precipitate a crisis. It would lead to a general scramble for goods in anticipation of still higher prices, and to the sort of inventory accumulation which broke the back of the postwar boom of 1919-20.

In the case of housing, this unfortunate development would not lead to the production results which some mistakenly claim for it. The rapid removal of all controls and the reversion to a free market after the last war did not produce the flood of output and supply which many advocates of crippling OPA amendments so hopefully expect. What happened in housing? Building materials prices rose 72 percent from April 1919 to April 1920—within 13 months. Union wage scales advanced 35 percent in about the same period. Did this bring forth a flood of supplies and construction? Instead of statistics, let me quote contemporary observations. The Standard Daily Trade Service, in its February 12, 1920, issue, reported [reading]:

The day dawned several months ago when the prospective builder made it evident that he could not or would not pay a price beyond the bounds of good business policy, merely to proceed with building plans. Hence, the heavy withdrawal of new building and alteration projects in October, November, December, and almost all of January.

And later the Chicago Economist, on April 3, 1920, reported:

Within the past 10 days, building plans to the amount of a billion dollars have been canceled in the United States, and another billion which had been in prospect have been allowed to go the same way. Cost is the reason.

And again, the Standard Daily Trade Service of January 7, 1920, pointed out that although prices were higher than the building industry had ever known them to be, builders were absolutely unable to obtain materials in any quantity desired.

In fact, the residential building boom immediately after the last war lasted just about 6 months, from the beginning of 1919 to midyear 1919. For the balance of the year, building volume declined gradually and got into a tailspin in 1920. Material shortages persisted in spite of completely uncontrolled prices. Even more importantly, the demand faded out when prices became excessive. From a hopeful beginning in 1919, with 405,000 units started, we were thrown back to 247,000 starts in 1920. It took the deflation of 1920-21 to put us on the road toward high-level construction of housing, beginning in 1923. We cannot afford again to go through such painful delays.

Even if these consequences were partially averted or delayed—and I do not believe they could be substantially averted or long delayed—excessive increases in prices above present levels would carry the costs of the emergency housing program far above the capacity of the veteran's pocketbook.

In my report to the President, and more specifically in my previous testimony before this committee, I called attention to surveys conducted by the War Department at separation centers. In brief review, the prices which veterans can afford, as indicated in these surveys, are as follows: Of veterans who want to buy rather than to rent homes, 32 percent feel that they cannot afford to pay more than \$30 a month, 54 percent feel that they can afford to pay between \$30 and \$50 a month, and 14 percent feel that they can afford to pay more than \$50 a month.

Senator MILLIKIN. Mr. Wyatt, what is the total number of veterans who may want to buy homes?

Mr. WYATT. Of course, that is an estimate as to the number that do want to buy. It is hard to estimate it today, but a substantial number of them do.

Senator MILLIKIN. I don't see how you can have those statistics unless you know how many want to buy.

Mr. WYATT. I say, this is an estimate, because it is a question of whether or not the sampling would be sufficiently broad. That figure we supplied for the record. I am just a little hazy in my recollection, but I think it was somewhere about one-third that said they wanted to buy, somewhere about one-third that wanted to rent, and somewhere about one-third were undecided as to which course they wanted to follow.

Senator MILLIKIN. Of the third that wanted to buy, what was the time spacing as to when they wanted to buy?

Mr. WYATT. I don't think that question was asked by the War Department.

Of veterans who want to rent houses, 34 percent feel that they cannot afford to pay more than \$30 a month, 55 percent feel that they can afford to pay between \$30 and \$50 a month, and only 11 percent feel that they can afford to pay more than \$50 a month.

While it is true that veterans, along with the nonveterans, are receiving higher salaries and wages than before the war, many veterans who are married or will marry in the near future and who are in dire need of housing have not yet reached their maximum earning capacity and are low in the income scale.

Because our efforts to channel veterans' housing into medium prices or rents have a direct bearing on the legislation before you, let me outline briefly a recent order designed to accomplish this purpose.

This order apportions certain definite percentages of new housing construction into rental units and medium cost homes, making allowances for geographical differences in construction costs. The order determines maximum costs in each bracket through a "dividing line" technique, which is realistically based upon the actual estimates of local builders in their applications for priority assistance during the first quarter of this year. The "dividing line" in any particular city or area is the highest approved maximum shelter rent and maximum sales price in the lowest third of all applications approved in the local FHA office from January 15 to March 29, 1946. No rental "dividing line" in excess of \$60 per month shelter rent, and no sales "dividing line" in excess of \$7,500 can be established unless submitted to the Washington Office of FHA for review and probably reduction before approval.

Under the order, housing goals for the second quarter of 1946 are determined for each city or area. At least 25 percent of the dwelling units authorized shall be rental units, of which at least half must be subject to maximum shelter rents at or below the rental "dividing line." Likewise, at least half of the authorized dwellings to be sold shall be subject to a maximum sales price at or below the sales "dividing line."

This job of channeling new housing into medium priced units is difficult even now. As a result of recent price increases for building materials, to which I have already referred, as well as wage adjustments and temporary cost bulges which we expect to vanish when we secure a full flow of materials, building costs have risen substantially over prewar levels. These rises have been from 35 to 70 or 80 percent, depending on local conditions. Building materials delivered at the site account normally for 45 percent of the total sales price of a typical small home. A 10 percent increase in materials prices would raise the total price almost 5 percent, and a 20 percent increase in these prices would mean approximately a 10 percent rise in the total. This assumes, of course, that the cost of other items going into the finished house would remain the same. However, it is quite unrealistic to assume that the cost of labor, land, and contractors' services would be stable if building materials prices increased substantially as a result of a break in the general stabilization program. It follows that a general abandonment of effective price control at this time would compound the difficulties of the veterans' needs.

Senator MILLIKIN. Mr. Wyatt, I don't think there is any question about that last conclusion you have just drawn. As I heard your testimony a while ago, it was the refusal of people in 1920 and 1921 to pay the prices that were then put on housing that caused the whole structure to collapse.

Mr. WYATT. In effect, a buyer's strike.

Senator MILLIKIN. Of course, it follows from that, if we can be sure we would have the same public response, you could not have an explosive inflation. I am talking now solely to the point of an explosive inflation. It was the buyers' strike that avoided the possibility of an explosive inflation in 1920-21. If we could be sure we could have the same sort of public resistance to exorbitant prices we would not need to worry about an explosive inflation but we would still have to worry about shortages of things that we might not have.

Mr. WYATT. What we would have to worry about would be the manufacturer's production.

Senator MILLIKIN. In 1920-21 that situation was cured through buyers' resistance.

Mr. WYATT. But we paid a price in considerable delay and considerable inflation.

Senator MILLIKIN. Your problem is to produce a certain result rapidly?

Mr. WYATT. Yes, sir.

Senator MILLIKIN. That does not necessarily bear on the question of explosive inflation.

Mr. WYATT. Well, it would mean we could not possibly achieve the goals of the veterans' emergency housing program if we didn't have price control.

Senator MILLIKIN. I have no quarrel with that. I am simply emphasizing that all this talk we hear about explosive inflation, if we could be sure we would have the same consumer resistance we had before, we might have some very severe dislocations as we had before, but we would not have an explosive inflation, and we might not be able to get the emergency housing program going as fast as we want.

Mr. WYATT. I think it would be certain we could not get the emergency housing program going. I think we have also additional factors in the picture, which we did not have the last time. The First World War was short in duration and the interference with our normal economy had not been in any way comparable to that which we have had during this war. Therefore the pent-up demand is very much greater now than it was after the last war. So I would say the pattern we saw after the last war in all probability would be greatly exceeded.

Senator MITCHELL. You are not saying that the 200 or 300 percent rise in prices during the last war was not an explosive inflation?

Mr. WYATT. Certainly not. All I am saying is that this time it would be much worse.

Senator MILLIKIN. When you speak about explosive inflation, you are speaking about prices getting completely out of control, such as they had in Germany after the last war, and such as you have in some parts of the world today.

Mr. WYATT. I think the chief benefit we get from the figures after the last war is to see what happened under a much milder condition, more favorable circumstances. If we followed the same pattern and it responded to the greater force that exists at this time, it might go to the point where it would be an explosive inflation.

Senator MILLIKIN. Aft'r the last war you had a buyer's strike which proceeded to bring prices down and, secondly, as a general thing, you

had production which brought them down also. I think you make too much from the general standpoint of history as to what happened after the last war. I agree with you that the rule and the principle is the same after this war, but I invite your attention also to the fact that our facilities have increased in proportion, just as the scale and magnitude of this thing has increased over the magnitude and scale of the thing after the last war. So you have the means at hand potentially to smother inflation after this war just as we had it after the last war.

Mr. WYATT. I wouldn't want to be in this position if we risk it.

Senator MILLIKIN. If you risk it?

Mr. WYATT. If we risk what we risked after the last war.

In addition to these general remarks, I wish to comment specifically on two provisions of H. R. 6042 in its present form. It seems to me that these two provisions go far beyond a system of rational price adjustment or refinement of formulas. They are in my opinion tantamount to throwing effective price control overboard, and would create an economic environment in which the veterans' emergency housing program could not possibly succeed.

Senator BANKHEAD. What are these?

Mr. WYATT. I am referring to section 2 of the pending bill, which is known as the Wolcott amendment, and to subsection (b), 1, 2, and 3 of section 1-A of the Price Control Act as amended by section 4 of the pending bill.

Section 2, taking the Wolcott amendment, as I understand it, would mean that maximum prices must reflect current cost-plus profit for every producer or distributor on every commodity, in every stage of processing.

Senator CAPEHART. Do you really believe that is what the Wolcott amendment does?

Mr. WYATT. Yes, sir.

Senator CAPEHART. If I read it correctly, it says they shall be given an opportunity to make a profit. Let's see if I am wrong.

Mr. WYATT. You may be right. [Reading:]

Notwithstanding the provisions of this act, the Stabilization Act of 1942 and the Emergency Price Control Act, as amended, no price shall be established or maintained for any commodity below a price which will reflect to the producers, processors, and distributors, including retailers, of such commodity, the sum of, (1) current cost of producing, processing and distributing such commodity as determined by the established commercial accounting practices in the industry, and (2) a reasonable profit thereon.

Senator BANKHEAD. Isn't that substantially the language of the present law except that it extends it to each item?

Mr. WYATT. Well, in extending it to each item—

Senator BANKHEAD. I mean so far as the maximum price is reflected that is not a guaranty?

Mr. WYATT. No, sir, but when you take it down to each item and each step of processing—

Senator BANKHEAD. Well, I said except for that. It is the same as the present law, as I recall it, except that the present law provides for over-all profits and that provides for each item, but not a guaranty. That is the point the Senator makes.

Mr. WYATT. Yes, sir.

Senator CAPEHART. Mr. Wyatt, may I ask this question: You are only contending with building materials and building houses.

You don't take the position we are going to ask any manufacturer or any builder to manufacture or build anything without at least he breaks even and makes a little profit?

Mr. WYATT. If it is to go down to each individual item and to each step, Senator Capehart, of the processing, it is not responsive to the normal business pattern.

Senator CAPEHART. Let's confine it, then, to the processor or the manufacturer, not every one of the thousands and thousands of dealers. Let's confine it to that which you are interested in, which, of course, is production, because once you can get the material, you can get it into houses. Let's confine our talk to that. Now, name me one item in building material which is one that historically is manufactured and sold at a loss.

Mr. WYATT. Well, it depends on what you mean by historically. At the present time on paper liner for gypsum board, for instance, there is an insufficient supply. There are some manufacturers that would rather not make liner for gypsum board, but because of larger profits would rather make it for boxes, containers, and other types of commodities.

Senator CAPEHART. That is liner.

Mr. WYATT. Which is very important.

Senator CAPEHART. You mean at the moment they would prefer not to make it?

Mr. WYATT. Yes, sir.

Senator CAPEHART. But prior to the war historically they did make it and sell it.

Mr. WYATT. There are some of them that are making it as a liner for gypsum board that before the war didn't make it for that purpose.

Senator CAPEHART. Well, I don't know anything about that. I will take your word for it. Now, name me one other.

Mr. WYATT. At the moment I don't recall, but I am sure there are others.

Senator MILLIKIN. Would you say that those items which you consider to be necessary for quick development of your building program—that in those cases you are going to say they get cost plus a reasonable profit?

Mr. WYATT. Most of the items in building materials are very fundamental items, so I don't know that building material is the best example to test the point that Senator Capehart mentions.

Senator MILLIKIN. I am not testing his point. I am testing my own point. My point is, are you going to give cost plus a reasonable profit in those places where you want to get material quick or apply your bonus idea?

Mr. WYATT. Generally speaking, the practice we have had on building materials I think falls in with the suggestion you have just made, Senator as a matter of practice by OPA and ourselves working with CPA.

Senator CAPEHART. Mr. Wyatt, your plan won in the Senate and I rather suspect you are going to win in the House. You asked for \$600,000,000 subsidy and then you asked that we pass a law permitting you to guarantee X amount of money to manufacturers of pre-fabricated houses, and new materials, for just one purpose, as you stated, and that could be the only purpose, that is, to increase production. That is what you wanted particularly, a guaranty on pre-

fabricated houses and new materials, and then you wanted subsidies in order to increase production, as you stated, so that these manufacturers could pay for third shifts and overtime and those expenses that are not incidental.

Mr. WYATT. Abnormal costs for abnormal production.

Senator CAPEHART. Yes. Now, what is the difference between that principle and the principle of the Wolcott amendment, in which all Mr. Wolcott and all the House were trying to do was to say in order to get back production here and avoid inflation, so that all of us could get rid of OPA at the earliest possible moment, let us say to OPA that you set up a system here where we must give every processor and every manufacturer an opportunity to meet his costs, plus a reasonable profit. What is the difference in principle?

Mr. WYATT. Well, I think there is this difference. If you go into basic commodities such as lumber or brick or cast iron soil pipe, you are dealing with large volumes of materials. If you go into the full category of thousands and thousands of items through all the steps of processing and distribution from the wholesaler to the retailer and so on, I don't see how a feasible system could have been worked. It seems to me that the cost accounting alone would be more than we would ever be able to get to.

Senator CAPEHART. Would you be fearful of the Wolcott amendment if it stated that the thing must happen it calls for except in those items where they are historically sold at a loss? Would you be in favor of the amendment then?

Mr. WYATT. No, sir. The whole economy is a changing economy constantly. There are some of these items that historically sold at a loss that would not be sold at a loss in a free economy but under a changing economy they would not need to make at a profit because it would be advantageous in their business to do so.

Senator CAPEHART. I don't believe you mean to say that today under existing conditions there may be something that should be sold at a loss.

Mr. WYATT. The only reason I say it is because of the peculiar conditions which have obtained, that made it advantageous to the manufacturer to do those things.

Senator CAPEHART. What would be wrong with the amendment then, because as Senator Bankhead pointed out, the original act says exactly the same thing, excepting that it does not mention item by item—what would be wrong with this amendment to say that it shall apply to everything excepting those items which historically may have been sold at a loss?

Mr. WYATT. Senator Capehart, I think that the difference is very important. When you say it is only that difference, I think it is a very important difference.

Senator CAPEHART. You talk about the paper work and the detail. It seems to me like there would be a great amount of detail and paper work to try to figure out those items which should sell at a loss.

Mr. WYATT. It obviously takes less paper work to consider the total position of a company than to consider each item that a company makes and the allocation of overhead to each individual item manufactured by a company that turns out a great many different items.

Senator CAPEHART. Well, the fact remains you can legislate all you please and talk all you please and evangelize and pray and do every-

thing under the sun, but you cannot make a man sell merchandise or manufacture merchandise and sell it at a loss.

Mr. WYATT. Well, some of them do it. Where it simply cannot be done that has got to be faced realistically to see what needs to be done.

Senator CAPEHART. You can force him to make a little of it. You can get a little production, but you just cannot get worth-while big production if you are going to force a man to do it at a loss.

Mr. WYATT. Well, where that situation is true—

Senator CAPEHART. I appreciate the problem involved under the Wolcott amendment. I wish there was some way to state it and write it and get what we want but I don't consider it—particularly if you put into the amendment "except those things that were sold previously or historically at a loss"—I don't think it would be very crippling. My opinion is that it would help more than it would hurt.

Mr. WYATT. Well, of course to the extent it would help, I think that can be determined administratively under the facts of the particular case and action taken accordingly. I think it is pretty difficult to say in advance—

Senator CAPEHART. May I ask one other question, which is my chief interest at the moment? Would it be possible in your department—the building materials department—would it be possible for you to arrive at a percentage of production that is needed over, say, the years 1940 and 1941, that in your opinion would be a safe point at which decontrols could take place, whether it be 3 months, 6 months, a year, 2 years, or 3 years?

Mr. WYATT. It varies with the commodities, Senator Capehart.

Senator CAPEHART. I say, wouldn't it be possible to take all the items you deal in—I am talking about the major items now—and say that lumber should be 150 percent above 1941, and that roofing should be so much above, and plywood should be so much above, and these other things you are dealing in; and say that when production has reached that figure and been maintained for a period of 4 months, it would be safe to automatically decontrol? Wouldn't it be quite simple in the building material business with which you are dealing today?

Mr. WYATT. It is simpler than it is in the more varied commodities, but I don't see any single formula that would apply to all of them.

Senator CAPEHART. You would have to have a different formula, I appreciate that, but the point is, you could in your department sit down and arrive at what would be a very liberal—liberal on the side of more production rather than a small amount—it wouldn't be a particularly hard job in your division, would it?

Mr. WYATT. It would be very much easier than it would in the general economy, because there are fewer commodities and they are more basic.

Senator CAPEHART. Don't you believe that if the—well, let's take any division—let's take lumber—that is probably the toughest one. If the lumber industry of America knew when they reached X production and maintained it for 3 or 4 months they were going to be decontrolled, it would be an incentive for them to do it.

Mr. WYATT. Well, to take the difficult one you did, it would have to be larger than 1940-41.

Senator CAPEHART. Say it would have to be 150 percent of 1941.

Mr. WYATT. The forests won't sustain that.

Senator CAPEHART. Well, whatever it is. Maybe it is 125 percent. Let's not argue about the percentage at the moment, but rather the principle. It would be very simple in the manufactured products, like roofing, plywood, furnaces and bathtubs, it would be quite simple there, wouldn't it?

Mr. WYATT. If you take lumber, for example, in 1941, it was roughly 36,000,000,000 board feet, just what we would like to have this year in order to achieve the program.

Senator CAPEHART. What was it in 1941?

Mr. WYATT. About 36,000,000,000.

Senator CAPEHART. What would you like to have this year?

Mr. WYATT. About 36,000,000,000.

Senator CAPEHART. You want the same amount?

Mr. WYATT. It is slightly more, but it is roughly, in round figures, the same; but the best information obtainable is that the forests would not support that higher production, that it simply is not achievable this year. Therefore, there are going to have to be substitute materials brought into the field if the program is going to be successful, because there is a natural limit there as to the forest situation, as to what can be done without stripping the forests. Therefore, as you say in your question, it is a particularly difficult illustration.

This provision is in conflict not only with rational and orderly price adjustment, but also inconsistent with the operation of a completely uncontrolled price system. Even under an uncontrolled price system, not every producer or distributor is able to cover his profit at all times, and certainly not on every line that he produces, processes, or distributes. I therefore believe that this provision amounts to immediate decontrol and then some. It would take the lid off, and create an inflationary spiral under which the veterans' emergency housing program, with its priorities and price controls on the finished house, could not survive.

Senator MITCHELL. Do you have any estimate there as to what a house a veteran can build today for \$5,000 in cost if prices went up in the same proportion that they went up in the height of the inflationary period after the last war?

Mr. WYATT. I don't have the figure offhand, Senator Mitchell, but it would be completely out of bounds. It would be beyond the point where he could possibly buy it, if it went that much beyond where we are now.

Subsection (b) 1, 2, and 3, of section 1A provides for immediate removal of price controls for commodities when production over the past 12 months equals or exceeds output during the period from July 1, 1940, to June 30, 1941. I earnestly recommend that this provision be removed, because its enactment would irreparably damage the veterans' emergency housing program.

The damaging effect upon building materials would not generally be immediate, since most important material components are now being produced at volume below 1940-41 levels of output. For 2 of the 15 major critical building materials, however, the effect would be immediate, since production is already, and has been for over 12 months, at a rate in excess of the average rate of production in 1941—1941 production of practically all building materials being higher than production in 1940. Yet, current production of these two criti-

cal items—asphalt roofing and building boards other than lumber or gypsum—is far less than current requirements. In spite of the favorable current production rate relative to 1941 production, it is estimated that 1946 production of these two items without special expediting assistance will fall 12 percent and 20 percent, respectively, below total requirements. The subject provision would immediately remove price controls with respect to these materials of importance to the housing program. Because of the substantial requirements for these items over and above the 1940–41 production rate, damaging price increases would probably result from such premature lifting of controls.

But this would only be the beginning of the inflationary inroads on critical building materials. Production for 1946 of three other items—clay tile, gypsum board, and warm-air furnaces—is estimated to equal or exceed the 1941 rate and yet remain substantially below 1946 requirements until increased by special expediting action. For only one item of the 15 is the 1946 production requirement less than the 1941 rate of production, and for all items the 1947 production requirements are greatly in excess of the 1941 rate. This means that approval of the subject amendment would progressively free building materials from price control long before the housing program goals could be achieved. In fact, expediting action to increase the supplies of critically needed materials might well defeat itself by boosting production above 1940–41 levels, only to result in inflationary increases in prices of these materials which would thwart attaining the goals of volume production of moderate cost homes.

Senator MILLIKIN. Would you have any objection, Mr. Wyatt, to a simple formula to the effect that when supply equals demand in any particular item it should be decontrolled?

Mr. WYATT. If it were continuing and if it were expected to be a continuing balance and not simply one that was in existence at that date for a month and not continuing.

Senator MILLIKIN. Excluding the flash balance and contemplating a balance that is demonstrably a stable balance, of enough stability to get it out of the flash category, what would you say?

Mr. WYATT. I would say if the supply were on a continuing basis, assured to be in keeping with the demand, that that is the time for decontrol.

Senator MILLIKIN. That requires a little foresight and you might make a mistake, but using the best foresight that was available, looking at a particular material at a particular moment and finding it is in normal balance, there would be no reason for not taking it out of control?

Mr. WYATT. That is if it was in balance with the current demand on a continuing basis, not the historical demand or not the historical rate.

Senator MILLIKIN. I think this historical business is absurd. I agree with you entirely on that. It has got to be on a current basis, but again assuming that on a current basis any particular item gets into a state of sound balance, is there any reason why it should not be decontrolled?

Mr. WYATT. It would seem to me that would be the time to suspend it from control and then determine whether or not with experience that judgment was correctly arrived at. If it were not, then it could be recontrolled. If it were, then it could remain suspended.

Senator MILLIKIN. You of course, have caught the point, if that is not a valid point, then we will never get out of control.

Senator CAPEHART. That is my position, too, except I think we can now sit down and work out a formula that will be correct when supply becomes equal with demand.

The CHAIRMAN. Of course, OPA has the right to do that now.

Mr. WYATT. That is quite true, Senator, but I cannot see—personally I don't see any formula that can be stated as a formula and therefore required. I think the general provision that OPA should decontrol when it is in the type of balance that Senator Millikin was talking about makes sense. Unless by decontrolling that one particular item there are other related items—I don't pose as any expert in all of these various related commodities—that would be thrown out of balance and therefore it would be injurious and hurtful to others more than it was beneficial to that one.

Senator MILLIKIN. You can see also, Mr. Wyatt, that if you press that too far, then you will never have any decontrol until you decontrol everything all at once, if you ever do.

Mr. WYATT. I think your point is quite right, Senator Millikin. I think it is therefore a judgment matter as to whether or not that point has been achieved.

Senator MILLIKIN. The difficulty we have—OPA does have that power; OPA has recontrol power also at the present time if it finds that its judgment was wrong at the time it decontrolled. The difficulty is that the evidence here on several items indicates that we have reached a stage of sound balance. Yet OPA refuses to decontrol. Now, if OPA will not decontrol under those circumstances, there is no alternative but for Congress to take the thing in hand and decontrol. I agree it would be much better if OPA did the job, but that is the problem that is confronting us.

Senator CAPEHART. That is exactly the problem. The question is whether you are going to leave it up to the judgment of OPA or whether the Congress is going to accept what I consider their responsibility and write into the law what in their opinion should be the time when decontrol should be made. Now, you have just made a statement here that OPA in many instances has failed to decontrol.

Mr. WYATT. Did I say that?

Senator CAPEHART. No. You didn't say that. Senator Millikin said that. Judge Vinson, the Secretary of the Treasury, this morning said if we got to the point where goods were selling below ceilings it would make no difference anyway whether you decontrolled or not; just leave them under control, because nobody was being harmed other than the irritation of making out all the forms and working under it. I rather suspect that the people of America are looking to Congress to accept their responsibility and write into the law at some point where decontrol will become effective. At least, I believe that is true. Maybe I am wrong. Every Government witness we have had on this subject has been against Congress specifying at any point which they will be forced to decontrol. I have started in with any number of them. The Gossett amendment says that it shall be decontrolled when production is equal to 1940. Then we go up to 125 percent or 150 percent, and they are still not willing. Then we have gone up as high as 200 percent and they are not willing to say that we should automatically decontrol. I don't believe OPA's judgment is any better than that of Congress. It is a very simple mathematical

situation to arrive at. The point is at the moment, for example, in bathtubs, if we built X number of bathtubs each month we would at some point have a sufficient number of bathtubs. I think that is true of every other item and every other industry.

The CHAIRMAN. Have you a formula?

Mr. WYATT. No; I have no such wisdom.

Senator CAPEHART. Well, now, just a moment. You pose here as having all the wisdom, to know exactly how to get these houses built, exactly how to solve this problem. You say this you need, that you need, the other thing you need. You need \$600,000,000 in subsidies. You had enough wisdom to figure out that you needed \$600,000,000 in subsidies and that if we guaranteed the sale of prefabricated houses it would get the job done. You had that wisdom, but when we talk about something here which I think the people are vitally interested in, you just don't know. The problem before us is, will we take out the Gossett amendment or will we increase it from some production in 1940 or 1941 to 125 percent or 150 percent. Then when we try to get you to help us on that—at least I will speak for myself and I am sincere about this—you say you don't have any such wisdom. I have sat listening to you by the hour in which you said you had to have so many feet of lumber, you had to have so many bathtubs, so much radiation, so much of this, that, and the other thing. Where did you get the wisdom to figure that out?

Mr. WYATT. Well, we know approximately how many board feet of lumber it takes for a particular house. We know if the program is 2,700,000 houses it is a matter of multiplication.

Senator CAPEHART. That is my point. If we know we need so many bathtubs and if we get those bathtubs we are going to have sufficient to meet the demand, that is the time to decontrol bathtubs. I am one fellow that doesn't believe you can decontrol according to the calendar. I don't think a calendar date has a thing to do with it.

Mr. WYATT. My observation about lacking the wisdom to make a general formula is predicated on the belief that a general formula is not applicable and to approach it historically as the amendment takes it with reference to a particular period, you are not then relating it to actual current demand this year but you are relating it to a figure of production in a previous year.

Senator CAPEHART. Well, you use that as a basis, of course, I agree—let me say this, I think the Gossett amendment in principle is correct but I think the formula is entirely wrong. I think it is entirely too low on at least 98 percent of the items. I agree with that 100 percent, but the House passed the act that we are holding hearings on by a vote of 355 to 42. Now we are going to have to try to reverse them. We are going to have to try to kick that amendment out or try to make it workable. I think it is very germane to what we are talking about, at least it is to me, because we will have to go in conference with the House when we pass the bill and say we kicked out the Gossett amendment, and they are going to say, "You can't kick it out." You have had a little experience in the last 2 weeks among conferees.

Mr. WYATT. Yes. More recently than that.

Senator CAPEHART. So they were very stubborn over there when they voted 355 to 42. Now, are they going to resist taking it out entirely and putting it back into the laps of OPA to decontrol when they

see fit? I don't know, but I never was any more sincere in my life than I am in saying it will be for the best interest of OPA, the best interest of production, and the best interest of avoiding inflation to write into this act a decontrol formula. Let me say this to you, that I think it should be most liberal. I think it should be on the liberal side. I think if you would say you need 10,000,000 bathtubs, I would be willing to make it 11,000,000, to be on the liberal side. I think it is production that counts and it is production that is going to enable us to decontrol, and not a date on the calendar.

The CHAIRMAN. You had not finished your statement, had you?

Mr. WYATT. I am almost through, Mr. Chairman. I did not come to a conclusion as to a formula that can be worked out legislatively, Senator Wagner, for the very reasons that have been discussed. A formula presupposes that you are going to have one formula that is applicable to all. The figures in 1946 and 1947 are different from what they were in 1940 and 1941, and, therefore, to relate them historically to production figures, in a generalization as to all of them, would produce as to some a delayed decontrol, and as to others would bring about decontrol much too soon.

Senator CAPEHART. The President will have the right to decontrol any time he sees fit, just as he has today. So I do not believe that the argument that some would be too soon and others too late is a good one, because the President could decontrol at any time he saw fit.

The CHAIRMAN. He can do that today.

Senator CAPEHART. Yes. We do not change that part of the law at all. All that is done is to give industry something to shoot at, and you likewise say to OPA, "When this happens you automatically decontrol." I would also want retained in the law the provision that if an item was decontrolled and the price went up to X amount after that, OPA would have the right to bring it back immediately under control. I certainly think that is fair and equitable.

The CHAIRMAN. The problem is so complex that even my friend Senator Millikin has not been able to inform us on how it ought to be done.

Senator MILLIKIN. I am just seeking light, Mr. Chairman.

The CHAIRMAN. You recognize the difficulty of it, do you not?

Senator MILLIKIN. Oh, yes; of course it is difficult.

Senator CAPEHART. It is a problem that is on our doorstep.

Mr. WYATT. The indirect effect upon the emergency housing program of the provision under discussion would perhaps be even more serious. I understand that it would release immediately from price control a large segment of agricultural and nonagricultural commodities. Clearly, the exempted industries would represent a powerful competitive source for draining raw materials, finished products, and labor from the covered industries, among which there would be many building-materials industries and the residential construction industry itself inasmuch as it operates under ceilings on sales prices and rents.

Our problem has been—and still is—to shift relatively more resources into building materials production and residential construction, both of which were badly depleted during the war. We are doing this without upsetting the rest of the economy—as is, I believe by now, commonly understood. However, this provision of the bill would reverse the process, and would shift resources away from building

materials and construction, or would at least impede the further increases in manpower, equipment, and products needed to accomplish our program goals.

In addition to my views on these two provisions, I wish to make a plea for continuance of the Emergency Price Control Act through June 30, 1947, rather than March 31. In many building materials, our requirements for 1947 are substantially larger than for 1946. The demand in the early months of 1947 will exceed supply by appreciable margins, in spite of our expediting efforts and even with the aid of premium payments. Removal of general commodity price control in the spring of 1947, at the beginning of the building season, would have a detrimental effect on the price objectives of the veterans' emergency housing program. In view of the telescoping of this program over the relatively short period through the end of 1947, 3 months of presence or absence of price control for commodities in general would make a substantial difference in the execution of the veterans emergency housing program, even though price control on building materials and houses were continued, as it needs to be, until the end of 1947.

Finally, a break in the price-stabilization program would not only seriously jeopardize the veterans' emergency housing program, but would also have dangerous consequences in the entire mortgage and real-estate field. Housing would be purchased and financed at clearly temporary high cost levels. We might regain stability when price excesses have been washed out by a costly deflation. But financial difficulties, foreclosures, forced sales, and loss of savings invested in mortgages would be unavoidable in the process. This would involve many home purchasers, particularly veterans. It would involve not only our mortgage-financing institutions but also the Government, because of its guaranty and insurance commitments under the Servicemen's Readjustment Act and the National Housing Act. Whenever the spiral of foreclosures and decline in property values starts on any large scale, even sound investments are placed in jeopardy. We should strive to avoid instability, even though of short duration, if we wish to keep our financial system in good condition.

Senator MILLIKIN. Mr. Wyatt, would you say that short of a case where a man must have shelter, a man is a fool to buy a house nowadays?

Mr. WYATT. No; I would not say it is as bad as that. I think if we can get our flow of materials really going we will have a better situation shortly than we have at the present time. I would not say that it is a bad situation to the point that a man would be a damned fool for buying now. I think it is preferable that he buy later, but it is not as extreme as your statement.

Senator MILLIKIN. I will ask permission to modify the adjective. But, considering the kind of house you can get for \$7,000, \$8,000, \$9,000, or \$10,000, built of green lumber, with all sorts of substitutes, all sorts of materials which under normal standards are considered shoddy, is not a man who does not have to have shelter on the foolish side to buy a house at the present time?

Mr. WYATT. It would be better for him to buy it at a later period.

Senator MILLIKIN. It would be a very wholesome thing if everyone who did not need a house—and I am talking about buying a house—would defer his purchase.

Mr. WYATT. We have actually taken steps to try to encourage people who possibly can defer, to buy later.

Senator MILLIKIN. I think you are doing a wise thing. I hope your program succeeds. If veterans buy these poor houses there will be a big loss in value some day, and there will be a lot of disappointments and heartaches.

Mr. WYATT. The same is true as to existing houses; and I am regretful that we have no control over existing houses.

Senator MILLIKIN. I agree with you on that. If you spend half your energies discouraging people from building homes, where shelter is not emergently required, you will be doing a great favor to the country.

Mr. WYATT. With the aid of the Advertising Council, who have volunteered their services and are being very helpful, we actually have national campaigns under way discouraging people from buying at the present time.

Senator MILLIKIN. I congratulate you from the heart.

Senator CAPEHART. I think that is very good. I know that the fellow who wants to buy my house at the moment is a fool for offering the price he is offering.

Mr. WYATT. There are going to be some awful headaches.

Senator MILLIKIN. You are doing the testifying, and I do not want to make too many comments, but I have a letter from a lumberman. He and his ancestors have been in that business for over 75 years. He says the thing that is breaking his heart is the type of lumber that he has to put out to be put into houses at the present time. He says that you can put paint on the outside and it looks like a good house, but it cannot be a good house, because it has green lumber in it.

I wish you great success in your campaign of discouragement.

Mr. WYATT. Whatever success we may have, there is going to be only one answer, and that is to get production up to a point where they can see that there is going to be a chance to buy houses at a reasonable figure. It will discourage many people from buying too hastily or overloading themselves by paying more than they can afford to carry.

Senator BANKHEAD. Do you find much panic through fear that they will not be able to get a house?

Mr. WYATT. Yes; many people have been so fearful about not getting a place to live, they have been buying anything that they can get, in order to have a place to live.

Senator CAPEHART. I have in my hand here a little booklet that OPA is printing at the expense of the United States Government and distributing through school children. I do not know how many millions they have published, but it is nothing more than a scare circular, just deliberately scaring the American people to death. In fact, the words on the outside are "Double, Triple Dynamite." They are not only scaring people about inflation but they are likewise scaring them about deflation. I do not know how people sleep nights, with the Government on the one hand telling them that they are sitting on a keg of dynamite, that they are going to have inflation, and on the other side scaring them about deflation. They are handing these booklets out by the millions through school children. When you get through reading it you are frightened to death about what is going to happen in America. They say, first, we are going to have inflation, and then that we are going to have deflation. What are the poor people who read that going to think?

Senator BANKHEAD. Does it fix a time between the two?

Senator CAPEHART. No. We are going to have inflation and then deflation. It is in line with what Senator Millikin has said. It is purely a scare campaign to frighten people. No wonder they buy three pairs of hose when they could buy one, and buy three of everything when one would do, because it is scarce propaganda. It seems to me that our Government should be spending money discouraging people from buying, telling them that if they will have a little patience and wait, this thing will right itself, rather than frightening them into buying.

I do not know how many millions of these booklets have been distributed, and I do not know what they cost, but I think we can mark this pamphlet up as at least one piece of propaganda that costs the taxpayers money; how much, I do not know.

The CHAIRMAN. If we have inflation it will cost the taxpayers a lot of money.

Senator CAPEHART. One of the things causing inflation is fear.

The CHAIRMAN. One of the things that will stop inflation will be the passage of a reasonable OPA Act.

Senator CAPEHART. The chairman's idea of a reasonable bill is to leave it just as it is.

The CHAIRMAN. I did not say that.

Senator CAPEHART. You did not say that; no.

I want to avoid inflation, but I want to try to have a sane and sensible OPA bill, and I think the suggestion that I have made is probably the most liberal of any of the suggestions that I have listened to. I am very liberal in that respect. I am against the formula in the House bill. I think it should be much greater.

Mr. WYATT. Along the line of questions that two of you have asked, we have also been encouraging people to have appraisals made of houses before they buy them, whether they are buying through a building and loan company or through the FHA. Of course, on new houses they would have that.

In summation, bulwarks against dangerous inflation have consistently been regarded as a cardinal part of the veterans' emergency housing program. In my report to the President on February 7 of this year, I pointed out that an inflationary spiral would be fatal to the veterans' emergency housing program; that by creating uncertainties it would impede production and lead to inventory hoarding; and that an inflation of housing costs like that which followed the last war would inevitably put prices beyond the range of millions of veterans and would prevent a sustained high level of construction activity.

Senator MILLIKIN. You are aware, are you not, that during the period of the administration of OPA the dollar has gone from 100 cents in purchasing value down to 70 cents?

Mr. WYATT. I heard those figures this morning.

We cannot hold the line in housing unless we hold the line substantially for the rest of the economy. We cannot produce 2,700,000 houses by the end of 1947, if industries which are freed from any price restraints are able to drain off labor, raw materials, and other resources now employed or to be employed in house construction.

For these reasons, I would be chargeable with irresponsibility if I did not express my serious concern about the immediate future of

price stabilization. I owe it to you gentlemen of the Congress, to the public at large, and to the homeless veterans, to state that certain amendments which would cripple price control would put an end to any fair expectation for the success of the veterans' emergency housing program.

Whatever may be done, it should be done with our eyes open to these facts.

The CHAIRMAN. Are there any other questions of Mr. Wyatt? [No response.] Thank you very much, Mr. Wyatt. It is a great pleasure to have had you here.

(The following was later received for the record by Mr. Wyatt:)

Price increases on lumber since January 1945

Commodity	Increase	Level	Area	Regulation	Date
Southern hardwood lumber.....	\$3 per M feet, board measure or approximately 7 percent.	Mill.....		Amendment 16, RMPR 97.	Feb. 9, 1945
West coast softwood lumber (4 grades produced under WPB orders.	\$3.50 to \$4.50 per M feet, board measure (temporary).	do.....		Amendment 12, RMPR 26.	Apr. 25, 1945
So-Pine lumber.....	2 by 4, 10 feet and longer, increased \$3.50 per M feet, board measure, effective July 23, 1945, through Oct. 21, 1945.	Manufacturer.....		Amendment 9, 10; 2d RMPR 19.	July 23, 1945
Eastern Railroad ties.....	17 percent over-all; 16 cents per cross tie.	Producer.....		Amendment 3, RMPR 216.	July 26, 1945
Yellow cypress lumber.....	7 percent.....	Manufacturer.....		Amendment 19, RMPR 97.	Aug. 22, 1945
Walnut lumber.....	24 percent.....	do.....		Amendment 1, RMPR 217.	Nov. 23, 1945
Lake States logs (except white birch.....	\$4 per M feet, board measure on regular logs; 12½ percent on tie cuts.	Producer.....	Minnesota, Wisconsin, Michigan.	Amendment 4, MRP 533-2.	Nov. 29, 1945
Southern pine lumber, graded.....	\$2.25 per M feet, board measure, or 4.7 percent.	Manufacturer.....		Amendment 14, 2d RMPR 19.	Do.
Southern pine lumber, log run.....	\$5 per M feet, board measure.....	do.....		RMPR 19-A.....	Do.
Hardwood handles.....	3.5 percent.....	do.....		Amendment 12, 2d, RSR 14; amendment 8, MPR 196.	Dec. 10, 1945
Northern hardwood and softwood lumber.....	4 percent.....	do.....	Minnesota, Michigan, Wisconsin.	Amendment 4; 2d, RMPR 222; amendment 13, MPR 223. MPR 19, Amendment 15.	Dec. 26, 1945
Southern pine.....	8 percent; general; \$3.25 per M feet, board measure; increase in residential construction items.				Feb. —, 1946
Red cedar shingles.....	3 percent; all items increased 15 cents per square.			Amendment 3, MPR 164.	Do.
Oak flooring.....	10 percent; 10 percent across the board, \$8.15.			MPR 458.....	Do.
Red cedar shingles.....	3 percent; all items increased 30 cents per square.			Amendment 4, MPR 164.	Mar. —, 1946
Douglas fir.....	3 percent; general increase in residential construction items, \$1.10.			Amendment 22, MPR 26.	Do.
Northern flooring.....	9 percent; average 9 percent increase, \$3.			MPR 432.....	Do.
West coast logs.....	5 percent; average increase of \$1.25 including \$4 on shingle logs.				Do.
Direct mill distributor's mark-ups.....	5 percent for wholesalers and 3 percent for commission men over mill selling prices.			S. O. 150.....	Do.
Southern hardwood lumber.....	\$3.35 per M feet, board measure, or approximately 7 percent.	Mill.....		Amendment 22, RMPR 97.	Apr. 5, 1946

1600 EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942

Western pine lumber.....	\$4.60 per M feet board measure.....	do.....		Amendment 4, RMPR 94.	Apr. 6, 1946
Appalachian hardwood lumber.....	\$4.65 per M feet, board measure, or approximately 8.1 percent.	do.....		Amendment 23, MPR 146.	Apr. 11, 1946
Douglas fir lumber.....	\$4 per M feet, board measure for Douglas fir and hemlock boards; \$2 per M feet, board measure for western hemlock dimension; 1 percent increase in over-all realization.	do.....		Amendment 23, RMPR 26.	Apr. 15, 1946
Northern softwood lumber.....	Approximately 23 percent to white cedar shingles.	do.....		Amendment 6, 2d RMPR 222.	Apr. 16, 1946
Western red cedar.....	\$4.50 per M feet, board measure, or 7½ percent.	do.....		RMPR 402.	Apr. 17, 1946
Northern softwood.....	\$5 per M feet, board measure on hemlock prices; \$1 per M feet, board measure for certain surfacing charges on hemlock; discretionary increase to place hemlock lumber prices in proper alignment with those of hemlock logs and other northern softwood lumber and to increase production of hemlock lumber essential for home construction.	do.....		Amendment 7, 2d RMPR 222.	May 8, 1946
Northeastern softwoods.....	\$2 per M feet, board measure on domestic northeastern white pine lumber processed round edge; \$3.50 per M feet, board measure on remaining domestic softwoods subject to this rev. \$3.50 per M feet, board measure on square edge softwoods imported from eastern Canada, 8 percent of the f. o. b. mill realization.	do.....		3d RMPR, MPR 219.	Do.
Insulation and felt cordwood and related products.....	Establishes a 6-inch minimum with a 10-percent tolerance and felt cordwood belts; will result in no increase in price of wood or product.			Amendment 7, MPR 535-1.	Do.
Eastern fence posts.....	11 percent.....	Producer.....	Michigan, Wisconsin, Minnesota.	Amendment 4, RMPR 324.	May 9, 1946

† Retroactively effective to Nov. 23, 1944, on sales to war procurement agencies.

Increases in building materials other than lumber prices since VJ-day¹

BASIC MATERIALS

Item	Increase	Level	Area	Regulation	Date
Building, chemical, and industrial lime (except agricultural lime).	65 cents per net ton	Producer	8 Southeastern States	Amendment 77, order A-1, MPR 188.	May 12, 1945
Rough quarry limestone blocks	6½ percent above 1942 freeze prices.	Quarrier		Amendment 78, order A-1, MPR 188.	May 17, 1945
Lineal sash and frame stock (used for window and door repair).	3 percent above GMPR levels	Manufacturer		Amendment 6, RMPR 293.	May 30, 1945
Douglas fir stock millwork screen doors (smaller sellers); door frames.	1.2 percent above GMPR; 10½ percent above GMPR.	do		MPR 589.	June 11, 1945
Building, chemical, and industrial lime (except agricultural lime).	75 cents per ton over 1942 level	Producer	Arkansas, Kansas, Nebraska, Oklahoma, and western Missouri.	Amendment 82, order A-1, MPR 188.	June 21, 1945
Fire clay and silica refractory brick	6 percent over 1942 level; addition of 3 by this amendment.	Manufacturer	From Missouri and East of Mississippi River.	Amendment 83, order A-1, MPR 188.	June 25, 1945
Gypsum lath	Actual freight charge from Plasterco, Va., to.	Manufacturer, reseller.	Florida, Alabama, Georgia, South Carolina, parts of North Carolina.	Amendment 85, order A-1, MPR 188.	July 7, 1945
Do	Actual freight charge from California, Nevada, and Montana, to.	do	Oregon and Washington	Amendment 86, order A-1, MPR 188.	July 13, 1945
Building, chemical, and industrial lime (except agricultural lime).	\$1.20 per ton (from New England and eastern New York State).	Producer		Amendment 1, order 1, MPR 592.	Aug. 13, 1945
Concrete blocks	½ cent per unit	do	Dade County, Fla.	Amendment 2, order 1, MPR 592.	Aug. 20, 1945
Gypsum lath and liner board; liner board, gypsum lath.	\$4.25 per M square feet, 2½ cents.	do	Eastern seaboard, California, and Nevada.	Amendment 3, order 1, MPR 592.	Aug. 21, 1945
Cement	10 cents per barrel	Manufacturer	Ohio, Michigan, West Virginia, parts Pennsylvania, Virginia, Kentucky.	Amendment 11, MPR 224.	Sept. 5, 1945
Refractory products	8.6 percent	Manufacturer, reseller.	Southern California	Amendment 6, order 1, MPR 592.	Sept. 10, 1945
Calced gypsum plaster bag goods	\$2.40 per ton	do	Eastern seaboard	Amendment 7, order 1, MPR 592.	Sept. 14, 1945
Structural clay products, tile standard brick	80 cents per ton, \$2 per 1,000	do	East of Rocky Mountains.	Amendment 9, order 1, MPR 592.	Sept. 19, 1945
Building, chemical, and industrial lime (except agricultural lime).	Dollars and cents increase granted producers.	Jobbers, wholesalers, agents.		Amendment 10, order 1, MPR 592.	Oct. 4, 1945
Ready-mixed concrete	Dollars and cents increase, portland cement.	Manufacturer	Ohio, Michigan, West Virginia, western Pennsylvania, Kentucky.	Amendment 13, order 1, MPR 592.	Oct. 30, 1945
Portland cement	10 cents per barrel	Producer	South	Amendment 12, MPR 224.	Nov. 10, 1945

Ready-mixed concrete.....	Dollars and cents increase, port-land cement.	Manufacturer.....	Georgia, Alabama, Ten-nessee, Louisiana, Mis-sissippi, North Caro-lina, South Carolina, Florida, and parts of Virginia.	Amendment 15, order 1, MPR 592.	Nov. 14, 1945
Douglas fir open window sash lath.....	11.4 percent.....	Producer.....		Amendment 2, MPR 539.	Nov. 20, 1945
Gypsum, liner board, and plaster.....	\$3 per M square feet.....	Manufacturer, reseller.	Except California and Nevada.	Amendment 17, order 1, MPR 592.	Nov. 16, 1945
Calcined gypsum plaster.....	\$2.40 per ton, \$1.50 per ton, \$1 per ton.		5 eastern mills, 2 Virginia mills, 5 central United States mills.		
Douglas fir and minor species of plywood.....	7½ percent.....	Retailers.....		Amendment 1, 3d RMPR 13.	Nov. 24, 1945
Portland cement.....	20 cents per barrel.....	Producer, reseller.....	Nebraska, Kansas, Okla-homa, Arkansas, west-ern Missouri, Idaho, Montana, Wyoming, Utah, Colorado, New Mexico.	Amendment 13, MPR 224.	Dec. 11, 1945
Ready-mixed concrete.....	Dollars and cents increase for portland cement.	Producer.....	Nebraska, Kansas, Okla-homa, Arkansas, West Missouri, Idaho, Colo-rado, New Mexico.	Amendment 21, order 1, MPR 592.	Dec. 18, 1945
Brick and tile.....	\$2 per M, 80 cents per ton over GMPR.	Manufacturer, reseller	West coast.....	Amendment 23 to order 1 to MPR 592.	Jan. 2, 1946
Glazed brick.....	\$2.50 per M.....	do.....	East of Rockies.....	Amendment 24 to order 1, to MPR 592.	Do.
Portland cement.....	10 cents per barrel.....	do.....	Georgia, Alabama, Ten-nessee, Louisiana, Mis-sissippi, North Carolina, South Carolina, Florida, and Virginia.	Amendment 14, MPR 234.	Feb. 21, 1946
12 construction items of softwood plywood.....	20 percent.....	Mill.....		Amendment 2 to 3d RMPR 13.	Mar. 15, 1946
Ready-mixed concrete.....	10½ per barrel.....	Manufacturer.....	Georgia, Alabama, Ten-nessee, Louisiana, Mis-sissippi, North Carolina, South Carolina, Florida, and Virginia.	Amendment 34 to order 1, MPR 592.	Mar. 22, 1946
12 construction items of softwood plywood.....	20 percent.....	Reseller.....		Amendment 3 to 3d RMPR 13.	Apr. 1, 1946
Sand lime brick.....	\$2 per thousand.....	Manufacturer and re-seller.....		Amendment 35 to order 1, MPR 592.	Do.
Glazed windows and sash.....	1 point shortly discount from list.....	Manufacturer, reseller, retailer.....		Amendment 14 to RMPR 293.	Apr. 10, 1946
Douglas fir doors.....	28 percent.....	Mill.....		Amendment 1 to MPR 44.	Apr. 4, 1946

1 Does not include electric wiring devices and electric housing wire.

2 Effective until Dec. 31, 1945.

Increases in building materials other than lumber prices since VJ-day¹—Continued

BASIC MATERIALS

Item	Increase	Level	Area	Regulation	Date
Douglas fir doors.....	Dollar-and-cent pass through.....	Reseller.....		Part of it in same amendment 1-44; part of it, amendment 11 to RMPR 525.	Apr. 4, 1946
Fire clay and silica refractory brick.....	11 percent.....	Manufacturer, reseller.....	Missouri and east of Mississippi River.	Amendment 36 to order 1, MPR 592.	Apr. 1, 1946
General manager type grain doors.....	do.....	Mill.....		Amendment 3 to MPR 483.	Apr. 16, 1946
Portland cement.....	10 cents per barrel.....	Manufacturer, reseller.....	Southern California.....	Amendment 15 to MPR 224.	Apr. 17, 1946
Special mill work.....	30 to 40 percent.....			RMPR 525.....	May 3, 1946
Stock mill work.....	Average, 23 percent dollar-and-cent pass through to reseller.....	Manufacturer.....		Amendment to RMPR 293.	May 6, 1946
25 32-inch insulation board sheathing.....	\$4 per thousand square feet.....	Manufacturer, reseller.....		Amendment 40 to order 1, MPR 592.	May 3, 1946
Softwood moldings.....	20 percent, dollar-and-cent pass through to reseller.....	Manufacturer.....		Amendment to 601.....	May 13, 1946
Stock stair parts (formula).....	Up to 50 percent, dollar-and-cent pass through to reseller.....	do.....		R-15.....	May 14, 1946

PLUMBING

Vitrified clay sewer pipe and allied products.....	10 per cent over 1942 freeze prices ..	Manufacturer, reseller.....	Western United States (export Pacific coast).	Amendment 76, order A-1, MPR 188, RMPR 206.	May 5, 1945
Cast iron soil pipe and fittings.....	\$5 per ton.....	Producer, jobber.....		Amendment 3, RPS 100.	June 14, 1945
Vitrified clay sewer pipe and allied products.....	1 percent.....	Manufacturer.....	Eastern and East Central.	Amendment 13, RMPR 206; amendment 88, order A-1, MPR 188.	July 21, 1945
Cast iron soil pipe and fittings.....	4 percent, or 3 per ton.....	Producer, jobber.....		Amendment 4, RPS 100.	Sept. 7, 1945
Vitrified clay sewer pipe and allied products.....	9.7 percent.....	Manufacturer, reseller.....	Eastern and East Central	Amendment 15, RMPR 206; amendment 19, order 1, MPR 592.	Dec. 17, 1945
Vitrified clay sewer pipe, 6-inch and above.....	11 percent over GMPR.....	Manufacturer.....	Southern California.....	Amendment 16 to RMPR 206.	Dec. 26, 1945
Cast iron soil pipe and fittings.....	\$6 per ton.....	Manufacturer, jobber.....		Amendment 5 to RPS.	Dec. 31, 1945

1604 EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942

Enameled cast-iron plumbing fixtureware.....	8 percent.....	Manufacturer, reseller.....		Amendment 2 to order 48 to MPR 591.	Jan. 2, 1946
Clay drain tile.....	80 cents per ton.....	do.....	Ohio, Michigan.....	Amendment 26 to order 1 to MPR 592.	Jan. 7, 1946
Specified items of brass plumbing fixture supply fittings and trimmings.....	5 to 25 percent.....	do.....		Amendments 5 and 7, order 48 to MPR 591.	Jan. 21, 1946
Brass plumbing fixture waste trimmings and fittings.....	9 percent.....	do.....		Amendment 6 to order 48 to MPR 591.	Do.
Valves and fittings.....	10 to 20 percent.....	do.....		Amendment 7 to order 1 to MPR 591.	Mar. 26, 1946
Cast-iron drainage staples and specialties.....	do.....	do.....		Amendment 6 to order 1 to MPR 591.	Mar. 27, 1946
Tanks and vessels.....	17 percent over July 1, 1941.....	do.....		MPR 96.	Apr. 8, 1946
Clay sewer pipe and allied products.....	18 percent.....	do.....	Eastern and East Central.....	Amendment 19 to RMPR 206; amendment 38 to order 1 to RMPR 592.	Apr. 22, 1946

HEATING

Cast iron tube radiation.....	2¼ cents per net square foot.....	Manufacturer.....		Amendment 5, MPR 272.	Aug 22, 1945
Stokers.....	5 to 10 percent, depending on size.....	Manufacturer, reseller.....		Amendment 1 to order 48 MPR 591.	Nov. 8, 1945
Domestic oil burners.....	9 percent.....	do.....		Amendment 3 to order 48 to MPR 591.	Jan. 14, 1946
Gas-fired and liquid-petroleum-fired furnaces and unit heaters.....	12.5 percent.....	do.....		Amendment 4 to order 48 to MPR 591.	Do.
Gas-fired conversion oil burners.....	9 percent.....	do.....		Amendment 8 and 9 to order 48 to MPS 591.	Feb. 5, 1946
Low-pressure steel boilers.....	14 percent.....	do.....		Amendment 10 to order 48 to 591.	Feb. 16, 1946
Cast-iron radiation.....	20 percent.....	do.....		Amendment 7 to MPR 272.	Mar. 28, 1946
Gas boilers.....	10½ percent.....	do.....		Amendment 8 to order 1 to 591.	Apr. 1, 1946
Warm air furnaces.....	12 percent.....	do.....		Amendment 9 to order 1 to MPR 591.	Apr. 19, 1946
Special cast-iron radiation and accessories.....	37 percent over October 1941.....	do.....		Amendment 10 to order 1 to WPR 591.	Apr. 30, 1946
Condensers and compressors.....	17 percent.....	do.....		Amendment to 591.....	May 9, 1946

¹Does not include electric wiring devices and electric housing wire.

*Increases in building materials other than lumber prices since VJ-day*¹—Continued

MISCELLANEOUS

Item	Increase	Level	Area	Regulation	Date
Hinges and butt hinges.....	10 percent.....	Manufacturer, reseller.....		Amendment 4, MPR 413.	Oct. 8, 1945 ³
Builders' hardware (locks, door checks, chains, stops, and knobs; sash, door, and transom hardware).	10 percent above levels in effect Oct. 1-15, 1941.	do.....		Amendment 6, RPS 40.	Do.
Automatic electric temperature controls.....	5 percent.....	do.....		Order 48, MPR 591.....	Oct. 9, 1945
Low-priced builders' hardware; certain cast iron, wrought steel, and some few brass gadgets.	10 percent over March 1942 levels.....	do.....		Amendment 2, order 1, MPR 591.	Nov. 14, 1945
Window and picture glass.....	3.95 percent over GMPR.....	Manufacturer.....		Amendment 18 to order 1 to MPR 592.	Dec. 7, 1945
Automatic nonelectric temperature controls.....	5 percent.....	Manufacturer, reseller.....		Amendment 11 to order 48 to 591.	Mar. 1, 1946
Specified hardware items.....	10 percent.....	Manufacturer.....		Amendment 12 to order 48 to 591.	Mar. 13, 1946
Builders hardware and insect screen cloth.....	do.....	do.....		Amendment 7 to RPS 40.	Do.
Specified butts and hinges.....	16 percent.....	do.....		Amendment 5 to MRP 413.	Do.
Specified hardware items and insect screen cloth items.		Jobbers, wholesalers, and retailers.		5-O-151.....	Do.
Electrical clay conduit.....	\$3.25 per ton.....	Manufacturer.....		Amendment 30 to order 1, MPR 592.	Do.
Clay glass pots, tank blocks, and companion accessories.	16 percent.....	Manufacturer, reseller.....		Amendment 37 to order 1 to 592.	Apr. 1, 1946
Stock screen goods.....	13½ percent; dollars and cents pass through at reseller level.	Manufacturer.....		Amendment to 381.....	May 8, 1946

¹ Does not include electric wiring devices and electric housing wire.

³ Effective until Mar. 31, 1946.

The next witness is Mr. J. S. Love.

STATEMENT OF J. S. LOVE, JR., PRESIDENT, MISSISSIPPI HOTEL ASSOCIATION, BILOXI, MISS.

The CHAIRMAN. You have agreed, I understand, to take about 10 minutes?

Mr. LOVE. Yes, sir.

Mr. Chairman and members of the committee, I have come up here today as president of the Mississippi Hotel Association; also the president of the Mississippi-Gulf Coast Hotel Association. I happen to be managing director of the University Hotel and the White House Hotel in Biloxi. Senator Eastland and Congressman Colmer seemed to think that this committee would be interested in our OPA experience.

First, I would like to give you the benefit of the case that we have for decontrol.

Back in October we applied for decontrol, when business got bad, about 50 or 60 percent. We then asked the area rent director for decontrol. We filed application in the State office, in Jackson. We wrote the Washington office, and got up all the information and statistics and figures that we felt were necessary to show a proper consideration of the case. The area office, in Gulfport, told us then that the authority would have to come from the State office in Jackson or the Atlanta office in Atlanta, Ga.

After several weeks of delay we finally got a hearing by the State Director in Jackson. He and his staff came down and met with the managers of all the Gulf coast hotels.

The association that we have consists of 12 of the largest—in fact, the only 12 large hotels on the coast.

At this meeting with them we proved conclusively that there was no longer any need of control of the Gulf coast hotels. The only reason for any control of these hotels was due to the war activity that was in this area. We had a number of Air Corps installations at Gulfport and Biloxi, at the shipyard at Pascagoula and the naval base at Gulfport. It was quite an activity. In consequence of that, our section down on the coast, consisting of three counties, was the first section in the State to come under the OPA control. Up-State, Jackson and other places, came under several months later.

The war activity is over. It was over when those bases were closed.

All of us took the thing very seriously. We tried our best to comply in every respect. We got in there and pitched and cooperated. We did not complain about some of the things that happened. We felt that as soon as the war was over we would automatically be decontrolled.

When the war activities ceased, nothing happened on our application for several months. We were called upon for more and more information. We supplied more than we were requested to do. We got up charts and schedules and history and facts. The Jackson office would say, "As soon as we get additional information we will let you know. The Atlanta office needs additional information."

Without making my story too long, we "sold" the State office on the justification. We had a percentage of occupancy of only 65.3 for 7 months. I am sure you gentlemen know that a hotel running 65

percent occupancy for seven straight months—competition certainly takes care of the situation. There is a supply of hotel rooms much greater than the demand. In fact, you get to the point of breaking even at a higher figure than that.

So we proved our case to Jackson, we thought, conclusively. They said they would have to take it up with Atlanta. Atlanta needed more information, and then Washington needed more information.

Finally, on April 6, this year, the Jackson office, the State director, advised that they had recommended to the Atlanta office decontrol of the coast hotels, realizing that with the war activities over and the percentage of occupancy what it was, there was certainly no longer any further need of control.

We talked to the Atlanta office, the manager of the regional office there, and he said it was a matter of only a few days. He said, "We are recommending to Washington decontrol."

We made our plans accordingly. That was on April 6.

We could not get any further information, and we came up here. When we got to Washington we had a very good conference with the OPA officials. They now say that the reason they cannot approve the application passed by the area office—we have to show them the information before we go to the State office. It takes weeks to do that, before we get to the Atlanta office and get that office sold on it. We understood from Washington that the matter was to be handled by the State office and the Atlanta office. Now we find out that the reason they cannot decontrol us, apparently, admitting that the hotels are at 65 percent occupancy—they do not seem to doubt our figures—I have a briefcase over there full of figures that I brought along with me. I brought the vice president of our association along from the Markham Hotel in Gulfport. We have got the information. We showed in our figures that some hotels were making 25 percent of the profits that they used to make. Expenses are going up every day in hotel operation. We cannot long continue operating, and we are 65 percent or less of occupancy.

Senator CAPEHART. What excuse does Washington give for not permitting decontrol?

Mr. LOVE. The excuse that came up yesterday was that it might affect boarding houses and rooming houses on the Gulf coast. They did not have information about how many of those were there and how many would be affected.

That situation is entirely different. They sent a man down from Washington to check the situation. Rooming houses and boarding houses and tourist courts have no relation to hotels. They do not give hotel service. Our cost of operation is 60 to 70 percent in labor costs, switchboard, elevator, and all those things, that tourist courts and boarding houses do not have. So we do not feel that we should be in the same classification. They are entirely two different businesses.

Senator MITCHELL. What difference would it make to you if you were decontrolled?

Mr. LOVE. What difference does it make?

Senator MITCHELL. Yes.

Mr. LOVE. Well, it would save lots of money. The expenses in my hotel are over \$150 a month for one girl just checking to keep from making mistakes.

Senator CAPEHART. Making records for the Government?

Mr. LOVE. Yes. We refund \$6 or \$7 a week to people just for little clerical mistakes where we have inadvertently made an error of 25 cents on this room or 50 cents here. It costs us \$150 a month to refund \$30 a month, as well as the worry and the grief of the thing and being constantly under pressure.

Senator BANKHEAD. What increase do you need in rates on your rooms?

Mr. LOVE. If it keeps on delaying we are going to be in the red; we cannot operate.

I will give you an illustration of what goes into a room, if I may. Let us take carpet. It is costing twice what it cost in 1941. That is what we are paying. Chenille bedspreads—I bought some last week and paid \$9.50, an inferior sort as compared with what we bought in 1941 from Marshall Field at \$3.10. The labor scale on painting a room is \$1.25 to \$1.50 as compared with 75 cents that we used to pay. Wallpaper, 90 cents a roll, where it used to be 35 cents. The elevator operator; cleaning materials; maid service—all of our costs are two or three times what they were.

There is no need to control us any more today than when we were built, with 65-percent occupancy.

Senator CAPEHART. Here is a good example of why Congress should write into the law an automatic decontrol amendment. We have a concrete example of OPA refusing to decontrol a section of industry which they should decontrol.

Senator MILLIKIN. So far as boarding houses and tourist camps are concerned, if you were to raise your room rents to a point where the figure would become obnoxious to your customers, you would be helping the tourist camps and boarding houses; you would not be hurting them, would you?

Mr. LOVE. That is correct.

Senator MILLIKIN. The only way you can hurt the tourist camps and the boarding houses—and I think I am talking with certainty now, because your hotel is not in competition at all with tourist camps or boarding houses—would be to lower your rents so much that they might have a complaint because you would be taking business away from them.

Mr. LOVE. We made that statement, Senator, at this meeting over in the OPA office. First, we asked decontrol of the hotels and that they make an investigation of the tourist courts and boarding houses. We did not have the information, but we think it is about the same percentage. They are not running full, either. I saw vacancy signs all up and down the beach. But we just don't know those facts.

Senator MILLIKIN. What do they say as to the relationship between the kind of hotel you operate and tourist camps and boarding houses?

Mr. LOVE. They admit—particularly Mr. Campbell, from the Atlanta office, who knows the situation—that there is no real comparison.

Senator MILLIKIN. What sort of a hotel do you have?

Mr. LOVE. At Buena Vista we have a hotel with 250 rooms. Let me make this statement—I should have brought it out before: We are right on the Gulf. Senator Bankhead spoke at the Alabama Farm Bureau meeting held in our pavilion. You stayed there with us, Senator Bankhead.

Senator BANKHEAD. Yes. It was very good service.

Mr. LOVE. We have primarily a resort hotel. We have two seasons, July and August in the summer and February and March in the winter. We get 80 percent of our business—that is, our resort business—from tourists.

We have honestly had people refuse to come out to our coast this year, who went to Florida and other places because they said the rates were so cheap down there, that evidently they cannot give good service. I think Senator Bankhead received good service.

Senator BANKHEAD. We had perfect service; there is no question about that; and reasonable rates.

Senator CAPEHART. You were put under OPA control because of the activity in that area?

Mr. LOVE. Yes.

Senator CAPEHART. Not all sections of the United States are under control as far as rents are concerned. There is a big section that is not under control at all and never was. But you were put under control on account of the camps and the thousands of soldiers; and now they have all gone?

Mr. LOVE. Yes.

Senator CAPEHART. And for months you have been trying to get OPA to decontrol?

Mr. LOVE. Since October.

Senator CAPEHART. And they will not do it?

Mr. LOVE. They will not turn us down but just constantly ask for more information.

Senator CAPEHART. They cut the dog's tail off an inch at a time?

Mr. LOVE. This time they say they are going to send men down there to check on boarding houses.

Senator CAPEHART. Well, that gives jobs for a couple of men.

Mr. LOVE. We are right where we were about 2 months ago. It just goes around and around.

Senator MILLIKIN. What did they say as to the relationship between your hotel and the tourist camps and boarding houses?

Mr. LOVE. They say they don't know, and they are going to send somebody down there to find out. We offered to get the information for them. I offered to send my assistant manager out and let him go all up and down. We have given them all the information they could want, and they say they are satisfied, but they are worried about how it is going to affect boarding houses and tourist courts. We have no relation, really, but it just happens that they are under the same section of the law.

Senator MILLIKIN. In normal times your hotel is full during the vacation period; and how empty is it during the rest of the year?

Mr. LOVE. We run about 90 percent in the vacation period and drop down in normal times to 25 to 30 or 40 percent. One hotel that is under control had 3 percent occupancy in December, and it is still under control. Another had 13 percent occupancy and is still under control.

Senator MILLIKIN. Is December a good month down there?

Mr. LOVE. No, sir. That is between seasons.

Senator MILLIKIN. You have most of your business when?

Mr. LOVE. In July and August and in February and March. If we had conventions, such as the one at which Senator Bankhead spoke, we would fill up these gaps. I might say that this year the

American Hotel Association met there because they did not have any place else to meet. We have more vacant hotel rooms than in any other section of the country and were the only hotel that would invite our own association to meet with us.

Senator BANKHEAD. The Alabama Farm Bureau could not find hotel space in the whole State of Alabama in which to hold their convention, and then finally they made arrangements with your hotel. There were from 700 to 1,000 farmers and their wives, and we were splendidly accommodated. You certainly had ample room for that convention, and it was the only place we could get in which to meet, from there to the Tennessee line. Some came 300 miles or more from home to get to that convention.

Mr. LOVE. The Alabama Lions Club met this last week there.

Senator BANKHEAD. It was early in November. We certainly were not crowded then, except, of course, with the convention. Otherwise you had lots of vacant space.

Mr. LOVE. Based on all those facts, we asked for decontrol, and we just cannot get it. We feel like you Senators would want to know this case; and I very much appreciate the opportunity of getting it over to you in my humble way.

The CHAIRMAN. You have made a very clear explanation. Thank you very much, Mr. Love.

We will meet at 10 o'clock tomorrow morning, and Mr. Marriner S. Eccles is our witness.

(Whereupon, at 4:05 p. m., a recess was taken until tomorrow, Wednesday, May 8, 1946, at 10 a. m.)

1946 EXTENSION OF THE EMERGENCY PRICE CONTROL AND STABILIZATION ACTS OF 1942, AS AMENDED

WEDNESDAY, MAY 8, 1946

UNITED STATES SENATE,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C.

The committee met at 10 a. m., pursuant to adjournment on yesterday, in room 301, Senate Office Building, Senator Robert F. Wagner (chairman) presiding.

Present: Senators Wagner (chairman), Bankhead, Downey, Murdock, Taylor, Mitchell, Tobey, Taft, Capper, Buck, Millikin, Hickenlooper, and Capehart.

The CHAIRMAN. The committee will come to order.

Mr. Eccles, as always, we are delighted to have you here as a witness before us. You know the problem we are confronted with and we would like to get your views.

STATEMENT OF MARRINER S. ECCLES, CHAIRMAN, BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, WASHINGTON D. C.

Mr. ECCLES. I appeared before the Banking and Currency Committee of the House in connection with the extension of the Emergency Price Control Act of 1942, and I gave rather an extensive statement at that time. I don't want to take up the time of the committee this morning in reading that statement, but I would like, if agreeable, to place that in the record. I think it is pertinent and it would cover many of the questions that might be raised before this committee.

The CHAIRMAN. We will be very glad to have that in the record. (The statement is as follows:)

This committee would agree, I think, that inflationary dangers exist when the supply of money in the hands of people who wish to spend it far exceeds the volume of goods and services available. The more this money supply exceeds the volume of goods, the greater the inflationary pressures are certain to be.

It is beyond dispute that the money supply today is at an all-time high level; that there is a greater backlog of demand for all kinds of goods than ever before, and that while reconversion has proceeded more rapidly than had been expected, in many important categories goods available to meet domestic, let alone foreign, needs are and will continue for an indefinite time to be far short of demands.

Accordingly, there can be no doubt that the Emergency Price Control Act of 1942 should be extended for a sufficiently long period to enable production to become reasonably correlated with demand.

Price controls, however irksome and difficult to adjust, are virtually our last bulwark against increasing costs of living. This is so because of the extent to which we have removed, reduced or avoided other wartime control mechanisms. We did away with WPB and its allocations of scarce materials and its construction permits. We discarded the War Labor Board and its wage controls. Rationing has been largely abandoned. The excess-profits tax has been eliminated

altogether and individual income taxes have been reduced. The workweek has been sharply cut down. We have avoided adequate measures to curb speculation in capital assets, particularly in the real estate field.

Because we have discarded, diminished or avoided other controls, while incomes have remained very high, it is all the more urgent to retain the Price Control Act until this country's immense capacity to produce, so amazingly demonstrated during the war, brings about an equilibrium between the income and savings which people have to spend and the availability of the goods and services they wish to buy.

What is the money supply today? Measured by demand deposits—that is, checking accounts—and currency, the general public (excluding banks, insurance companies, etc., but including Treasury deposits) has available in demand deposits and currency over \$125,000,000,000, or more than three times as much as in June of 1940.

In addition, the public holds another one hundred billions of Government securities—or eight times as much as in June of 1940—and nearly 50 billions of time deposits, or nearly twice as much as in June 1940.

To the extent that dollars borrowed by our people, or foreign-owned or borrowed dollars, are added to these resources, the inflation potential will become all the greater. Even allowing for a larger postwar national income, there can be no doubt that on the money supply side of the equation the total today is nearly five times the amount prior to the war and is, at present, vastly in excess of available goods and services.

It is important to understand how such a tremendous increase in the money supply came about because the process should be stopped and, if possible, reversed, now that the war is over. Necessary as it is to retain price and other essential controls for a while and to clear away obstacles, particularly wage and price disputes, that prevent or reduce vitally needed production, these objectives need to be accompanied by an equally strong determination that the Government shall not add further to the money supply.

There is not a sufficiently widespread realization of the fact that our money supply expands through borrowing, whether by private interests or by Government, from the commercial banking system and that conversely, the money supply contracts when bank loans are paid off or their Government bond holdings are reduced. To the extent that we failed to cover the costs of the war by taxation or by borrowing from the general public, we relied on the banking system to furnish the money. Thus, between June 30, 1940, on the eve of our defense program, and the end of 1945, the Government raised over 380 billion dollars. Of this, 153 billions came from taxes, or only 40 percent; 228 billions, or 60 percent, came from borrowing, and of this, 133 billions, or about 60 percent, came from selling Government securities to others than commercial banks and Federal Reserve banks, while 95 billions, or 40 percent, was raised by selling Government securities to the commercial banking system, a process which created an equivalent amount of new money.

This tremendous expansion of bank credit, which has so greatly swollen our money supply, is a primary source of inflationary pressures at this time and will continue to be until goods and services are available in sufficient quantity to balance more evenly the factors of supply and demand.

It is evident, therefore, that on the money side of the inflation problem, the Government should stop and, if possible, reverse the process whereby it creates bank credit. It can stop further creation of bank credit by bringing about a balanced budget. It could reduce the existing money supply in two ways. One would be by paying down the public debt. The other would be by having the commercial banks sell some of their Government securities to nonbank investors. Since this should be accomplished without any increase in interest rates which would, in turn, increase the costs of carrying the Federal debt, it would be desirable to have the commercial banks sell some of their longer term holdings to nonbank investors and to have commercial bank holdings more concentrated in shorter term securities bearing a lower rate of interest.

Stopping further monetization of the public debt in the banking system will tend also to stabilize interest rates so that they will reflect the volume of savings and investment funds in relation to demand instead of reflecting an increasing volume of bank credit. This, in turn, will help to reduce the inflationary effect that a combination of increasing bank credit and decreasing interest rates has on all capital assets.

Policies dealing with the money side of the inflation equation need to be accompanied by wage and price policies on the other side of the equation that will

make for rapid achievement of a high level of production on a permanently sustainable basis. Wage increases can only be justified when they can be met out of increased productivity and profits without increasing prices. Clearly, wage increases that result in price increases to the consumer are inflationary.

It has been contended that all price controls should be removed now in order to insure full production. Where price ceilings do not in fact afford a sufficient margin of profit to call forth production, they can and doubtless will be adjusted, but these instances are not general. To argue against all price controls, is like arguing against vaccination on the ground that it is better to contract smallpox in the hope that you may recover from the disease, than it is to take necessary precautions against contracting it while efforts are being made to eradicate the sources of the infection.

To the extent that we can deal effectively with the money supply and production factors, we will be getting at the root causes of the inflationary problems confronting the country today. Price controls, rationing, curbs on consumer credit or on stock-market credit, and similar devices admittedly deal only with effects, not with basic causes of inflationary pressures.

In brief, prudent policy at this time calls for measures to get at the fundamental inflationary causes by curbing or reducing the money supply on the one hand, and by increasing available goods and services on the other hand, and meanwhile retaining price controls, reinforced where necessary by other restraints, until the factors of demand and supply can be brought into a better balanced relationship.

Unless we pursue such a policy, we run immeasurable risks in view of the inflation potential today. If we were to permit a sharp rise in prices to occur, the holders of liquid assets might lose faith in the purchasing power of their holdings. The consequences could be disastrous.

MR. ECCLES. I do have a short statement that I would like to read this morning. It is an attempt to bring up to date some of the issues since I appeared before the House committee. It reads as follows:

The country is approaching the crucial stages in the war on inflation. It is futile to talk about winning if price controls are abandoned or hopelessly crippled now. At best, however, they are a last line of defense. Without reinforcements they cannot, alone, succeed. At best they can do no more than block off inflationary forces until the armies of production are fully mobilized and in action. Production—at the highest possible sustainable levels—will decide whether we win or lose this struggle. If we lose, no one can tell what may happen. Plans for economic stability, for peace and progress at home or abroad, would become blueprints of a lost cause.

Today the armies of production in many fields have quit. Others threaten to quit. The danger is real and time is running out. We have already lost too much time because of paralysis of vital industry—coal, steel, lumber, automobiles, among others. In this critical period, violent strife between labor and management that prostrates key industries or our transportation and communication systems threatens the public safety. No group, no leaders, ever have the right to inflict such injury upon the general public. Dictators assume such a right. It has no place in a democracy.

Necessary as I believe it is to extend the Price Control Act unhampered and with adequate financial support, the public should not be misled into thinking that this is enough to hold the line. Neither this nor other devices for dealing with inflationary effects can succeed unless we reach full production without further delay. There is no other way to win this battle against inflationary forces. Failure to produce is the chief source of the danger.

If our enormous money supply, actual and potential, could be rapidly reduced so as to be in reasonable balance with goods and services, damage to the country resulting from strikes and shut-downs would be less. Some progress has been made in reducing the money supply by using Treasury balances to pay off public debt held largely by the banks—and that is all to the good. Balancing the budget and having the largest possible surplus with which to reduce public debt will be necessary. But this is inevitably a slow process.

Likewise, the idea advanced in some financial circles that increased interest rates would be an effective remedy reflects, in my opinion, a failure to evaluate correctly both the causes of and the appropriate weapons against the unprecedented inflationary pressures today. Higher interest rates would make for serious complications in the Government bond market and would greatly increase the cost of carrying the public debt. No reduction in buying power and no increase in production would result—and these are the basic causes of the problem.

The solution depends upon how quickly we deal with what is overwhelmingly the chief cause—production, because we cannot deal quickly enough with the excessive money supply. We could have done better in dealing with it if we had not prematurely reduced taxes and repealed the excess-profits tax. We should not reduce taxes further while the danger exists.

It should be borne in mind that necessary as it is to hold the line by price-control legislation, such controls are greatly weakened unless reinforced by allocations of scarce materials and rationing. Having discarded these reinforcements largely, the strain on price ceilings is intensified and the way made easier for black markets and the resultant break-down of enforcement.

We must, if this Nation is to be saved from an inflationary spiral that can only end in deflationary collapse, hold on to the controls that are left; we should, by all means, stop further growth of the money supply and, if possible, reduce it, but above all the answer to the problem is more work and more production. If democracy is to survive we must be willing to face the fact that minority pressure groups, whether of labor or capital, have no right to act in flagrant disregard of the public interest. The people of the country look to their Government to protect them from such abuses of freedom by finding effective means for continuing production and employment while controversies between labor and management are being settled.

The CHAIRMAN. A very fine statement.

Are there any questions to be asked of the Governor?

Senator TAFT. Would you think that priority in the Senate itself might be given to the labor legislation, even over OPA legislation? Is that the conclusion from your remarks, Mr. Eccles?

Mr. ECCLES. Well, certainly they are both essential at this time. I don't know which might deserve priority.

Senator TAFT. Well, that is a legislative problem that we have got to decide.

Mr. ECCLES. It seems to me both of them might have been acted on sooner than the present time.

Senator TAFT. This committee has not been slow on OPA. We started before the House got through, which is unusual, and we certainly try to get through as fast as we can.

Senator CAPEHART. Do you think the Case bill covers the situation?—the situation you are talking about?

Mr. ECCLES. I am not familiar with the Case bill, Senator.

Senator CAPEHART. Your thought is that Congress should pass laws that make it—

Mr. ECCLES. I am not proposing any specific law. All I am doing is to attempt to point out here what seems to me to be a fact at this time, and that is that OPA legislation, or any other legislation that is attempting to deal with the inflationary forces, will be entirely ineffective if we are going to have production paralyzed; that you cannot deal with the effects of a problem and ignore indefinitely and completely the basic causes.

Senator CAPEHART. I agree with that 100 percent.

Mr. ECCLES. There is this aspect that is extremely important: A failure to produce as a result of the paralysis of industry through strikes or other causes reduces, of course, the supply available, which is the basic reason for the inflationary pressures, but it not only does that, it reduces the national income and will reduce the tax revenue substantially, and as the tax revenue is reduced you will fail to get a balanced budget; it will require heavy deficit financing and that in turn will be inflationary in its effect. So that you are getting an inflationary effect on the money side with a failure to produce, and you will get an inflationary pressure on the production side through short supply of goods.

Senator TAFT. Against which you have to balance the fact that you don't have any purchasing power if millions of men are out of work and if these companies are unable to pay taxes.

So that, to some extent, alleviates—I don't dispute your general conclusion—but it alleviates to some extent the inflationary pressure.

Mr. ECCLES. To a minor extent, for this reason: That the companies, all of them with hardly an exception, have a large amount of either Government securities or idle balances and they are not hampered as a result of a shut-down through a lack of money and through unemployment compensation and other income, at least for a time, the purchasing power of the strikers is maintained, at maybe not the same level, but at least it is partly maintained and a great many of them, I would say the majority of them by far, have both savings and Government securities. So that the demand for goods is not materially reduced as a result of strikes unless they continue for a very indefinite period.

Senator BANKHEAD. How long do you think it will take if this coal strike continues—that is a sort of a crippling paralysis—one industry after another shutting down—how long do you think it will take to produce results on the inflation front? It will be almost irreparable—it will take a long time to get over, will it not?

Mr. ECCLES. I think we are very close to that point right now. I think the situation is extremely serious and that possibly if the coal strike were settled today and coal production continued, that the demand in relation to the supply and the purchasing power available is so perfectly enormous that it will be a struggle, it will be a fight for a considerable period of time to prevent inflation.

How successful we would be even if the coal strike were settled now, I would not venture to say.

Senator BANKHEAD. I am glad to see you approach this matter head on, because I agree with you that production is the outstanding problem now. After congratulating ourselves on the large number of people that have gone back to work and the output of the various plants, we are now confronted with the statement that those plants are going to be closed down. It is just a question of exhausting the coal on hand before they close down, and the electric plants are going to be closed down, the lights and the water and all the public utilities I haven't seen much inclination on the part of Government officials to approach this subject directly, as you have done it. Of course, they are anxious about it, but in addition to a mere declaration of danger I want to get somebody to suggest some way to meet it. It looks like Government officials should have some views on the subject and give some leadership on the subject. I did not hear all of your statement, but I have read it and I do not see any suggestions you make about meeting that.

You simply take the position that it should be stopped. Telegrams are pouring in from people urging us to do something to stop it, but there doesn't seem anybody to say what will stop it.

Mr. ECCLES. My field is the financial and the economic field; I don't profess to be an expert in industrial and labor relations.

Senator BANKHEAD. Well, you are here dealing with the problem primarily of production and I know that your intelligence and your experience in business and economics and in history must lead you to have some views that would be helpful to those of us who are willing

to do whatever is necessary to do, if we can find the proper thing to do. At least, that is my position and I hear a great many other Members of the Senate looking at it in the same way.

Mr. ECCLES. I don't know what legislation would be required, but in this statement I would like to repeat this last portion of it because I think it is significant and sums up what the issue is [reading]:

If democracy is to survive we must be willing to face the fact that minority pressure groups, whether of labor or capital, have no right to act in flagrant disregard of the public interest. The people of the country look to their Government to protect them from such abuses of freedom by finding effective means for continuing production and employment while controversies between labor and management are being settled.

Now, the issue is one of keeping up production while the controversy is being settled.

Senator BANKHEAD. How must we do that?

Mr. ECCLES. The Government can take over an industry and that enables them, of course, at least to provide the facilities for production. The problem is one of keeping labor at work while issues are being settled. I have always felt that the Government should have some means, some court that would be able to make a decision where a controversy could not be settled between capital and labor, that it could be supplied by the Government. We could call it arbitration, call it what you want to. Certainly the interest of capital and labor is not one of conflict. I am not taking sides with either group. There has been plenty of abuse on the part of capital in dealing with labor.

Senator BANKHEAD. You prefer for elective officials to take sides between those two groups, do you, rather than appointive officials?

Mr. ECCLES. I don't know that I have any preference in that matter. I am interested in having some mechanism that is set up that will represent the public interest and do justice, as we rely upon our courts to do justice when there is a controversy on various matters.

Senator BANKHEAD. You don't know of any such mechanism now, do you, on the statute books?

Mr. ECCLES. No, I don't.

Senator BANKHEAD. Do you know any realistic way——

Mr. ECCLES. I don't know of any.

Senator BANKHEAD. You doubtless know—I think you know—that the miners are not going to work until Mr. Lewis tells them to work. We have a constitutional provision that prevents involuntary servitude. You cannot make them go to the mines and work without violating the Constitution or changing our form of Government.

Mr. ECCLES. Just assume that all the postal officials should decide to strike and there was no mail service. Just assume that the banks were completely and thoroughly organized from one end of this country to the other and they closed those and the money supply stopped. Now, you could suppose that all the police force in every city went on a strike.

Now, the question is to what degree are we going to permit minority groups to act in a manner that so vitally jeopardizes the public interest. Of course, that is a side of the thing I am testifying about, which is OPA, and I got into this matter because it seems to me perfectly futile merely to talk about price control and ignore the basic problem of production, which is being so seriously hampered

today. That is why I mentioned this. I did not feel it was my place in the Government to come before this committee, or any other committee, with some solution.

Senator BANKHEAD. Well, whose place is it, Mr. Eccles, to try to help the Congress and this committee on a subject as important as this?

Mr. ECCLES. I suppose it is the place of the administration. I am not a part of the administration as such. I am a head of an independent agency.

Senator BANKHEAD. I don't think this is a party question, nor even a political question. I think it goes far beyond any party interest. It is fundamental. It goes to the preservation of this American form of government.

Mr. ECCLES. That is correct. Everybody is interested.

Senator BANKHEAD. So why mention the fact you are not a part of the administration?

Mr. ECCLES. Well, what I meant was, I am part of the Government; I am head of a Government agency, and that agency is an agency that deals with finance, primarily, with banking, credit, and finance. I am not professing to be an expert on or even a student of labor-management problems. There are people who have devoted a lifetime to those questions who would be much better able to suggest ways and means of dealing with the problem. All I am pointing out here is there is the problem, and unless that problem is dealt with OPA is not going to be effective.

Senator BANKHEAD. I am anxious to get guidance. I am willing to vote for any reasonable constitutional plan that intelligent thinkers will propose and that will end this thing regardless of any political consequences to any individual.

Mr. ECCLES. I am like you, I would like to get guidance, too. It seems to me the Senators individually and collectively should be able to give guidance, as well as a layman or administrative head.

Senator CAPEHART. Mr. Eccles, every piece of legislation that has been introduced looking to correct this situation has been fought bitterly by the administration.

Mr. ECCLES. Well, I don't know as to that. I have never appeared before any committee in the 12 years I have been here to try to testify for or against any labor legislation, because it was considered a matter out of my field.

Senator MITCHELL. Governor, subtracting all the labor-management problems, in the last few months are you satisfied with the upward trend of production since VE-day?

Mr. ECCLES. I would not say I was satisfied with it. I think, of course, it could have been substantially better, so that I am not satisfied with any production that is substantially less than it could have been.

Senator MITCHELL. Well, what are the factors which could have made it better?

Mr. ECCLES. Well, we had both the capacity to produce and we had the manpower to produce.

Senator MITCHELL. Did we have the manpower where we needed it?

Mr. ECCLES. I think we had a good deal of it where we needed it.

Senator MITCHELL. There is more manpower now than ever before?

Mr. ECCLES. That is right; but we have a lot to employ. During the war we demonstrated that we not only could produce enough to maintain the standard of living for all of our people that was equivalent to what we maintained during the peace period, but we produced for war, including our lend-lease program, an amount almost equal to what was produced for our civilian population.

Senator MITCHELL. Of course, using the war illustration, it took us months and months to get into full production on airplanes, for instance—

Mr. ECCLES. That is right.

Senator MITCHELL. And isn't it true that it takes time to get back into domestic production?

Mr. ECCLES. In some categories, but in lumber, for instance, practically no lumber was produced after last September until the end of the year, as you know, in your State, Senator.

Senator MITCHELL. There has been little produced since then because of weather conditions.

Mr. ECCLES. Well, there could have been more produced had there been deck logging in the lumber industry. As you know, a good deal of logs are decked in the fall and winter months for operations in the spring when logging cannot be done, and there could have been a much greater production of lumber than there was. That same thing is true with steel, which goes back to automobiles and trucks and every conceivable type of steel product.

The condition of farm implements is an extremely serious one today. We have such a great demand that farm implements and parts for farm implements are in acutely short supply today. The difficulty is that in our economy the many parts are interdependent so that when they do not mesh and when a basic industry such as steel or coal shuts down it paralyzes the entire economy.

The effect upon the economy is almost as serious as if any army were to strike when the enemy is approaching. We have the enemy of inflation approaching, and when we fail to operate our basic industries we are in effect striking against the enemy of inflation, and as I say, it is almost comparable to an army striking when an enemy is approaching. That is the effect it has upon such an interdependent economy as we have.

Senator TOBEY. It is almost like the old saw, for the want of a nail a shoe was lost; for the want of a shoe a horse was lost, and so on.

Mr. ECCLES. That is right. It is just exactly like that.

The CHAIRMAN. Getting back to the other question, did you have a chance—I know you are not an expert here, but have you considered the amendment proposed by the House to OPA?

Mr. ECCLES. Well, there was a lot of amendments, Senator. Which amendment do you mean?

The CHAIRMAN. Well, take the Wolcott amendment.

Mr. ECCLES. Yes. I didn't come up here, however, very well prepared to discuss that. I merely read them over once. I didn't prepare any critical answer to them.

The CHAIRMAN. Well, are you for them or against them?

Mr. ECCLES. Well, I think most of those amendments—I would sooner see OPA defeated entirely than to see an amendment like the Wolcott amendment. I think the Wolcott amendment is an amendment that would make completely inoperative OPA as a practical matter.

Senator CAPEHART. Mr. Chairman, may I ask this question: I rather think the general impression is that the Wolcott amendment guarantees or gives every man in business an opportunity to make a profit on each item. Would you be against the Wolcott amendment if it stated that each business or each industry or each processor would be given a right to make an over-all profit?

Mr. ECCLES. I certainly would.

Senator CAPEHART. You would be against that, too?

Mr. ECCLES. I don't think the most inefficient operator should be guaranteed a profit, because if you give it to him——

Senator CAPEHART. I don't mean guaranteeing him a profit; he would be given an opportunity to make a profit.

Mr. ECCLES. What is the difference?

Senator CAPEHART. Here is a manufacturer making 20 items or 3 items or 4 items. Do you not believe that manufacturer should have an opportunity to make an over-all profit on the 20 items or the 3 items or the 4 items? He might lose on one, but don't you think he is entitled to an over-all profit on all of the items?

Senator TOBEY. If he is good enough to make it.

Mr. ECCLES. Well, I would say that the difficulty of all——

Senator CAPEHART. Let me ask that question. If he is good enough to make it. He certainly cannot make it if his ceiling price is set lower than his material cost and his labor cost.

Senator TOBEY. You believe OPA should be amended to give the man an over-all profit?

Senator CAPEHART. I asked this question: The objection to the Wolcott amendment is that it says that every man in business must be given an opportunity to make a profit on each item that he handles or manufactures. Now, we have had witnesses who came in here and pointed out that historically they had lost money on a number of items.

Now, my question was: Would the Wolcott amendment be acceptable if it stated that every man in business, whether he was handling 20 items or 3 or 4 or 5 items can be given an opportunity to make a profit on his over-all business?

Senator TOBEY. Well, will not the changing conditions which are constantly occurring make that very difficult to line up and do that? You are a businessman and manufacturer. Would it not be so?

Senator CAPEHART. Absolutely not. Any man in business is going to price his merchandise or try to price it so that at the end of every month he is making a little profit.

My point is, what is wrong with changing the Wolcott amendment if you change it to say that every businessman on all the things that he handles must be given an opportunity to make a profit—he might lose on two, but he will make on the other 18?

Senator MURDOCK. Do you not, Senator, change your price control, then, to a profit control, under your theory, or under your suggestion? It seems to me that the net result would be to penalize efficiency and put a premium on inefficiency.

Senator CAPEHART. Well, my point is that we have had many witnesses objecting to the Wolcott amendment because it guarantees, they say, a profit on each item. Mr. Eccles objected to that. Then I asked Mr. Eccles the question whether he would be opposed to directing the OPA to set prices for each manufacturer on his entire line that would show him an over-all profit, and he says he would object to that.

Mr. ECCLES. Let me tell you why. That would be perfectly impractical as an operating matter. If you fix prices high enough so that the most inefficient operator can make a profit, then whether he makes 1 item or 10 items the net result is that the prices would have to be fixed so that he could make a profit, and the efficient operator making some of the same items would be making an abnormal profit.

Had Congress seen fit to keep the excess profits tax on, there would have been much less objection to that sort of a proposal, but to fix prices high enough to guarantee a profit—a reasonable profit—well, the first thing is, what is a definition of a reasonable profit? You would get into endless controversy about that.

Senator TAFT. Mr. Eccles, is your objection not—your main objection to the Wolcott amendment, that the inefficient manufacturer gets a profit under it, in your opinion?

Mr. ECCLES. No; my main objection is that you would have to price so high—to give a manufacturer a reasonable profit you would have to put the prices so high in order to give him that, that it would give the most efficient manufacturer a very abnormal profit and the public would be paying exorbitant prices for the goods and that in itself would be inflationary.

Senator TAFT. Would you have any objection to an industry as a whole getting the same margin over costs as they got historically?

Mr. ECCLES. Well, I think that the industry as a whole should be given a reasonable profit and as I understand it that is what is being done.

Senator TAFT. Well, that is not what is being done, in my opinion.

Mr. ECCLES. I understand OPA claims that is the way they are doing it.

The CHAIRMAN. They do claim that.

Mr. ECCLES. The way they are fixing prices is to price on an industry-wide basis so that the poorer manufacturer may make little or no money, the average manufacturer would get along, and the efficient manufacturer would do exceedingly well. That is the way it should be. In that way you get the same price for the same article, which you have got to do.

You cannot have different prices for the same article. We know that. In other words, you cannot say that a poor manufacturer is going to get a higher price for the same article than an efficient manufacturer is going to get for the same article.

Senator HICKENLOOPER. Mr. Eccles, may I suggest in the free economy prior to the war, in a peacetime economy, that has always been the case. Very seldom do you see two manufacturers price their articles at the same price.

Mr. ECCLES. If they did, it was what they were able to sell it at through their salesmen, but today, of course, you don't have a competitive market. That is just the point.

If we had a competitive market it would take care of itself.

Senator MILLIKIN. Mr. Eccles, let me ask you this: There are all sorts of items that are not critical items, that are not vitally essential to what we conceive to be critical objectives. Let us rule those out. Will you go this far: that as to those articles which we must have and must get quickly, that as to those articles OPA should allow costs plus a reasonable profit if it wants to stimulate production, and I

assume that production is the objective in the type of article I am talking about?

Mr. ECCLES. It would be possibly better on those items that are not very important—not considered what we may term essential—to eliminate price control altogether, than it would be to try to price them because the physical job would be an impossible one.

Senator TAFT. Well, they are doing it today, Mr. Eccles, only they are doing it wrong. They are doing the same physical job that would have to be done under any of these amendments.

Mr. ECCLES. Maybe that is the trouble. Maybe the job they have got to do is an impossible job.

Senator TAFT. It is bound to be an impossible job because they are doing it wrong.

Senator MILLIKIN. Now, as to those critically short items where the Government as a matter of policy wants to increase production, such as in housing materials, is there any alternative to giving cost plus a fair and reasonable profit? Otherwise, how are you going to get the production?

Mr. ECCLES. I think there are few industries today that are not at present prices doing better than they ever did.

Senator TAFT. Mr. Eccles, there are many industries that are not. We had the testimony of the evaporated milk industry day before yesterday. They offered convincing proof that they are selling every can of evaporated milk in this country today below cost and that production is down 30 percent from what it was for that reason. You make these broad statements and they are not so. There are many industries that are not operating at a profit.

Mr. ECCLES. I am thoroughly familiar with the evaporated milk industry. I know at present they are not making money. They are losing money in the first quarter of this year, but I have seen it in the past; I have been familiar with it for a good many years, and I have seen them in the past not only operate for 3 months at a loss and not shut down in any way, but I have seen them operate a whole year at a loss.

As a matter of fact, I had an evaporated milk business in 1920 after the last war.

Senator TAFT. Well, that is not the way to get production.

Mr. ECCLES. We tried to increase production because we figured the bigger the volume the smaller the loss would be. The fact we were losing didn't deter production so far as we were concerned.

Senator TAFT. Well, you were not held between rigid prices fixed for your product and rigid prices for your cans and everything else that you used in your product.

The only effect today of increasing volume in this particular industry is to increase losses.

Mr. ECCLES. We got caught because the boom was over and it was in the deflation period and the reason that losses were sustained was that the price of the product went down faster than we could possibly reduce our costs.

Senator MILLIKIN. Mr. Eccles, let me pursue my thought with you a little further. First of all, let me say to you I am totally against an over-all profit on all items, or on all industries. I am for the profit system and implicit in the profit system is the opportunity to make losses as well as profits. You cannot stand up for a profit system and talk about guaranteed profits.

Mr. ECCLES. That is right.

Senator MILLIKIN. They just don't fit in with a private enterprise system. So, our minds are in agreement on that.

I am driving solely to the point as to the items that are important and that are in critical shortage, can you get that production unless as to those items you give cost plus a fair profit?

Mr. ECCLES. Well, I am not opposing cost plus a fair profit for the industry as a whole. For instance, take the steel industry.

Senator MILLIKIN. I would like to exclude that. I am passing out industry as a whole. I am passing out a vast range of items that do not enter importantly into our economy. I am talking solely about those things which the Government as a matter of Government policy wants to increase production on. How can we increase that production as to those limited items without giving cost plus a reasonable profit?

Mr. ECCLES. I don't think that increasing the price will necessarily increase those products. There are a good many cases in which it would not increase production at all, for this reason: it may be a shortage of labor that is hampering them. It may be a shortage of certain material or certain parts. I know that to be true. It may be that the capacity is greatly limited in relationship to the demand for goods. And merely to increase the price is not going to insure greater production at all.

Senator MILLIKIN. I will agree with you in instances where an increase in price might not for a temporary period increase production, but yesterday we had Mr. Wyatt's testimony where he has produced remarkable results, according to his own statement, in the production of goods by increasing prices as to certain items.

As to items where those special conditions did not exist that you have mentioned, is there any way to increase production in the public interest where we want those items quickly; where we have to have them? Is there any way to increase production without cost plus a fair profit or some variation of it, bonuses, or subsidies, or some other inducements that will make a profit for a man?

Mr. ECCLES. I don't think you can take an operation as difficult and as complicated as price control and legislate the details of how it is to be administered. I don't think that is possible. I think that if it is left up to OPA—the discretionary power—if you could settle the labor-management problem that you would get plenty of production.

Senator MILLIKIN. Governor, I am not talking about a formula. Let's leave formulas out of this. I am driving at the naked principle that as to those items that are important and in critically short supply, how can you increase their production except by giving cost plus a fair profit?

Senator TOBEY. Let me point out, Senator Millikin, that is exactly what we have done in connection with farm products, through incentive payments and subsidies. We have done it as to farm products and we have done it with reference to other products.

Senator MILLIKIN. To short-circuit the discussion of all contrary testimony before this committee, and discussing it purely in terms of theory and without reference to any legislative or administrative formula, if you want production of critical items how are you going to get it without cost plus a fair profit?

Mr. ECCLES. It always gets down to a question of what is a fair or a reasonable profit.

Senator MILLIKIN. Well, a reasonable profit is at least some profit.

Mr. ECCLES. I mean any two men might quarrel over the definition of "reasonable."

Senator MILLIKIN. A reasonable profit is at least some profit.

Mr. ECCLES. That is right.

Senator MILLIKIN. So, let us say for our purposes, for the purpose of this discussion, cost plus some profit.

Mr. ECCLES. All right.

Senator MILLIKIN. Will you accept that?

Mr. ECCLES. I would accept that.

Senator CAPEHART. May I ask a question?

I don't ask it as a direct question, but I would like to call Mr. Eccles' attention to the fact that the present law states, I think very clearly, that OPA can set a price which shows a reasonable profit. It doesn't state that OPA must set a price that shows a profit on each item, but it does state that it must set a price that shows a reasonable profit.

If you will call OPA to the witness stand now they will tell you that their policy has been to set what they considered an over-all profit that would show each manufacturer, each person in business, an over-all profit. On some items they would lose money, but their over-all profit—on their over-all business they would make a profit. Which leads me to believe this: that each of the witnesses we have had—all the governmental witnesses here have been opposed to all amendments and they are just interested in one thing, that is, seeing OPA remain as it is without the Congress in any way whatsoever amending the law or trying to make it better, because the question I asked is the policy of OPA at the moment, and it is the present law as it is written.

Senator MURDOCK. How would you improve the situation, Senator—If that is the present law—by repeating it again?

Senator CAPEHART. My point is that the witness—

Senator MURDOCK. Write it in capital letters, or something?

Senator CAPEHART. My point is that the witness is opposed even to the formula even in the present law.

Senator MURDOCK. I have not heard any such testimony from this witness.

Mr. ECCLES. No; I am not suggesting that the present law be changed. I am suggesting that it be not amended; that the present law be extended as it is without amendments that try to write formulas to cover a situation as complicated and as extensive as the OPA operation is. That seems to me to be impossible.

The administrative job would be an impossible one. When you talk about a profit it depends on what the volume is. You can lose money on a 60 percent volume of capacity production. You may lose it on 80 percent in some industries yet make a very, very substantial profit on 100 percent, so that you get to the question then on what volume of production is the price fixed. It is an impossibility, it seems to me, to undertake to write a formula for each industry. You can take the average cost of production, say, of pine lumber, or evaporated milk, or basic steel, and you know what the cost of the industry is, and if the cost is such that the industry as a whole is not making a fair profit, then you certainly would be justified in increasing the price as the OPA has in the case of steel and as they recently did in the case of lumber. They increased the price for the commodity which affected the industry as a whole and that is all you can do.

They possibly would be justified in permitting an increase in the price of evaporated milk to meet the problem. What I said to Senator Taft was not that I was opposed to permitting a price that would give the industry as a whole a reasonable or a fair profit.

Senator CAPEHART. Mr. Eccles, that was my question. Should we not possibly clarify the law to say that any industry, or all industries, are entitled to the opportunity of making a profit?

Senator TOBEY. Is it your considered opinion, then, that the OPA should be extended with no changes or no amendments—as is?

Mr. ECCLES. That is right.

Senator TOBEY. For how long a period?

Mr. ECCLES. Well, certainly till June of next year. I testified, I think, before this committee and the House committee a year before the war ended that all of the controls should be extended for 2 years after the war; that after going through such a devastation in the whole economic and political and financial system not only here, but throughout the world, that we could not expect to get back to what we term any degree of normalcy quickly, that certain controls would not be used longer than was necessary, that the public should be given the assurance that we were not going to have inflation and that there was going to be a fair distribution of the products which were going to be available.

It seems to me that had we done that we would have had much less uncertainty and much less difficulty than we have today. The uncertainty about OPA is responsible for a great many producers holding back their products from the market with the hope and expectation that OPA will not be extended, and that they, therefore, will get whatever they can get in the market, which they expect to be very substantially greater if and when OPA expires.

Senator TAFT. Governor, let me suggest to you there is not one scintilla of evidence before this committee to support that. I have heard that again and again, but when we have challenged that statement before this committee there has been no testimony forthcoming to support it. There has been no testimony to support what you have said, not one scintilla of evidence.

If there is any contrary memory by any member of this committee, I would like to be corrected.

Senator TOBEY. There was one piece of testimony by a man named Saccocio from Schenectady, N. Y., that the people of Italian extraction in Schenectady could not buy a single gallon of cottonseed oil for the ceiling price of \$2.50 a gallon. He testified that he walked into the back room of a store and he found 500 gallons or more on the back shelves. The merchant said it was not for sale and refused to sell it at first and finally agreed to sell it for \$6 a gallon.

Senator TAFT. There was no testimony that he was holding it because OPA might be repealed.

Senator TOBEY. He was just holding it to look at, I suppose.

Senator TAFT. Not one bit of testimony to that effect.

Mr. ECCLES. I think certainly no one is going to testify that he is holding merchandise off the market. I would not expect that.

Senator TAFT. If the black marketeers could be assured that OPA was going to be continued another year, you would have a much larger black market than you have got today. If they could organize their work for the next year or 18 months, I think you would have a larger and much more effective black market than you have today.

Mr. ECCLES. Well, I agree that if OPA is not enforced it is going to encourage black markets, and OPA will automatically be broken down. It cannot survive. It has been very unfortunate that OPA was not supported by continuation of their controls such as the allocation that WPB was undertaking. It is too bad that rationing of short items was not continued. You cannot expect price control alone to do the kind of a job that the public expects of it unless it is supplemented by allocation and rationing. The door is open for the black market. I agree fully, and certainly unless OPA has sufficient money to carry out an effective administration and policing, and unless the law has sufficient teeth and the black market operators are punished severely—by that, I don't mean just a little fine—it seems to me if jail sentences are meted out to them that you would not have so much trouble.

Canada has not had such trouble with black-market operators, or Britain. They have kept on a much more effective price control.

Senator MILLIKIN. And a much higher price, I might say, for their products.

Mr. ECCLES. No.

Senator TAFT. We had the same trouble with prohibition, Mr. Eccles. I think we will have the same trouble with any attempt to enforce any such drastic regulation.

The CHAIRMAN. Well, in the case of prohibition the difference was that it was a law that was unpopular with the public.

Senator TAFT. Well, so is this one.

The CHAIRMAN. No; I do not think it is. I think the letters and telegrams I have got and I am sure other Senators have got, do not show that.

Senator TAFT. I might say that my letters for the last week or so have been running 4 to 1 against. The whole thing has completely reversed itself.

The CHAIRMAN. Not in my State.

Mr. ECCLES. Well, it seems to me with the strikes that are hampering production, production is in shorter and shorter supply and that with no price control you certainly could get an inflation in a great many of the basic requirements and if you got that you certainly are not going to lessen your wage demands. You would have a whole series of further strikes, further wage demands.

It seems to me that a chaotic condition could develop very rapidly and the very foundation of your whole society will be shaken.

Now, OPA has many weaknesses. There is no question about it. They have made many mistakes, and the job of administering it effectively is almost impossible, it seems to me, at this stage, because we waited so long to extend it. The organization of OPA, I understand, is breaking down. People are not going to stay with an organization where its life is as uncertain as in the case of the OPA organization. They have found it practically impossible to get people to help them in the administrative job. Supports were taken away such as your allocation of raw materials and your building permits.

It has been left there to stand and struggle alone. It is a wonder it has been able to do as well as it has. It just seems to me this is a question of alternatives.

There is no pleasant choice to make here. You extend OPA and are a lot of injustices. Certainly during the war there was a lot

of injustice. A lot of the boys went into the service and others did not have to go. A lot of boys were killed, and others were not. You don't see complete justice dealt out in any field.

It seems to me we will get less injustice with an extension of OPA than we will get without an extension. Now, it is a question of balancing here what is after all in the interest of the people as a whole, and in my opinion an extension of OPA even with such injustices as it may impose, is the better alternative. Some business may not make any money for a while, but if you take their record over the last 4 or 5 years the American businessman has not done so badly. There has never been a period in their history when they have made nearly as much money as they have made over the last few years.

Senator CAPEHART. There has never been a period when the Government poured as much money into industry as it did in the past few years.

Mr. ECCLES. That is right.

Senator CAPEHART. And we are in debt \$275,000,000,000.

Mr. ECCLES. Business has got a lot of that expenditure and the cash that was created by it; their cash and securities have gone up from \$22,000,000,000 at the end of 1940 to something like \$80,000,000,000 at the present time.

Senator MILLIKIN. During the life of OPA how much has the dollar depreciated in purchasing value?

Mr. ECCLES. Well, of course, they will argue that issue. It is estimated between 30 and 40 percent.

Senator MILLIKIN. So that our dollar is now worth 70 cents, let's call it, during the time OPA has been in effect?

Mr. ECCLES. Well, I would not say that. I am not saying that I don't think that is true. I want to change that statement. How much the dollar has depreciated since OPA is in effect, I don't know, but since 1940, May 1940, which was before the OPA was in effect, up till the present time, it is between 30 and 40 percent.

Now, most of that increase was before the OPA went into effect. The real inflationary rise came in 1941 and 1942 before the OPA was effective, and it was OPA that practically stopped the rise and since OPA has been in effect, Senator, there has been a comparatively small increase.

Senator MILLIKIN. How much has been the increase in living costs since OPA has been in effect?

Mr. ECCLES. I think it is very small.

Senator MILLIKIN. It is about 25 percent.

Mr. ECCLES. No; I don't think it is anywhere near 25 percent.

Senator TOBEY. What would it have been if OPA had not existed, Mr. Eccles?

Mr. ECCLES. Well, all you have to do is to look at the last war.

Senator TOBEY. I think that is an equally fair question.

Mr. ECCLES. That is right. You look at the last war. You can see that with a comparatively small public expenditure, with a situation that is in no way comparable to this situation, you had a far greater inflation without price control than you had this time with price control.

Senator MILLIKIN. It is apparent that if you give two more extensions to OPA the dollar won't be worth anything.

Mr. ECCLES. I don't think that is apparent at all. I don't know how you can come to that conclusion.

Senator MILLIKIN. Well, it has gone down 25 percent now under the existing circumstances. Two more extensions and the dollar won't be worth much.

Mr. ECCLES. I will give you the cost-of-living index if you want it. In 1940—or take 1941—it was 100.2. That is practically 100.

Senator MILLIKIN. What is it now?

Mr. ECCLES. When the OPA went into effect—

Senator TAFT. April 1, 1942.

Mr. ECCLES. Yes; this gives it by the year. The average for 1945 was 128.4. The average for 1943 was 123.6. The average for 1942 was 116.5. The OPA didn't go into effect until 1942. Last year it was 128. So what you have there is an increase in a period of 3 years by about 10 percent.

Senator TAFT. Well, Mr. Eccles, I think you would revise your testimony if you went into the thing more thoroughly.

My recollection is that the increase from the 1st of January 1941 to April 1942 was about 14 percent, and that the balance of the—today it is not 29, it is 31, I think—and they admit at least four points could be added for various other factors, so really it has gone up from 14 percent to about 35 percent.

Mr. ECCLES. What the average will be for 1946, which will be on a 1940 base period—

Senator TAFT. Well, Mr. Bowles admitted the other day it was 34 percent. On the 1st of April 1942 when they started it was about 14 percent, if I recall correctly. I am pretty sure I am right.

Mr. ECCLES. The situation in Canada—I just noticed—I took a clipping out of Time, and I would like to read it:

The Wartime Price and Trade Board took stock after 6½ years of heavy-handed price control. It found that the Canadian price levels had remained remarkably stable. Canada's official cost-of-living index had risen only 18.9 percent over prewar. The United States rose 31 percent. The increase was only 1.3 percent of last year—

That is in Canada—

one reason said the top Price Board official, has been the lack of powerful pressure groups attacking price ceilings like those battering OPA in the United States; but there were other more important reasons. Wartime taxes had been much stiffer in Canada than in the United States. Canada had done a much better job of freezing wages and keeping them frozen. Thus it had held down the amount of cash that might otherwise have fueled a postwar inflationary spending spree. Moreover, Canadians are by tradition more law-abiding people and have refused to deal extensively in the black market. How long could the line be held firmly? Price Boss Donald Gordon, who has easily won hit-and-run attacks on price control in the past, was now running into something like a pitched battle. Moreover in price control, as most things, Canada was influenced by what went on south of the border.

There is one other statement I would like to read in connection with this matter of business earnings and price control. This is by Mr. Sewell Avery, of Montgomery Ward & Co.

Senator TOBEY. Montgomery, Roosevelt & Ward?

Mr. ECCLES. That is right. [Reading:]

Last Friday Robert Smith, vice president and treasurer of the company—

Senator TAFT. Mr. Chairman, I think we ought to have Mr. Avery here if we are going to have his testimony.

Mr. ECCLES. This is a statement—

Senator TAFT. I think if we are going to have his testimony here we ought to have him here before the committee to testify.

Mr. ECCLES. This is a statement by his company of their earnings.

Senator TAFT. Oh, well, I thought you were going to quote Mr. Avery.

Mr. ECCLES (reading):

Robert Smith, vice president and treasurer of the company told stockholders at their annual meeting that profits for the 3 months ending April 30, the first quarter of the company's fiscal year, were estimated at \$14,000,000 or \$2.60 a share, contrasted with \$4,768,000, or 85 cents a share in a like period last year.

Senator CAPEHART. Is that the period when the Government was operating the plant last year?

Mr. ECCLES. I don't think so. In other words, earnings during the quarter were approximately treble what they were a year ago. If this condition would continue throughout the year it would mean that Montgomery Ward would earn about 25 percent on its net worth.

Senator TAFT. All department stores and all large retail stores have made an awful lot of money. I think there is no question about that.

Mr. ECCLES. If you took price control off of their products they would make a lot more.

Senator TAFT. I doubt that very much.

Mr. ECCLES (reading).

For the 3 months sales were placed at \$200,000,000, an increase of \$50,000,000, or 33 percent, compared with 1945.

Avery added that the mail-order sales in April were averaging more than 90 percent in excess of April last year.

That gives you some idea of the inflationary pressure in some territory.

Increases in sales were running as high as 200 percent over last year. Avery was frank to admit that the whole thing was a bit breath taking and almost too good to be true and yet held certain ominous possibilities for the future. He was inclined to believe that we were following the pattern we did after World War I and acknowledged that he had no conviction as to whether the duration of the boom would be shorter or longer.

Senator TAFT. In general, Mr. Eccles, I do not think retailers would take a larger mark-up if price control went off. I think prices would go up probably, but I doubt if the over-all mark-up of department stores would be materially different.

Mr. ECCLES. Of course, there is a great volume of merchandise that is not sold by department stores and there are a great many people today that are taking what the traffic will bear through the black market.

Senator TAFT. Oh, I agree. I just say I don't think the department stores would get a larger mark-up than they get today in all probability. I think these mail-order houses sell on as close a margin as they can.

Mr. ECCLES (reading):

Avery added, "Inventories have been increasing. Forward commitments are exceptionally large. There is danger in these conditions, but both are regarded as necessary for the company to maintain its competitive position and give its customers good service."

In other words, where there is a shortage of goods there is also a reaching out and forward buying. Now, we saw after the last war in the case of sugar, that because there was a shortage there was a terrific

amount of forward buying. It went up and up and up. Orders were placed and when the price broke the orders were canceled by the retailers and the wholesalers and it practically bankrupted most of the sugar refiners and the companies.

Now, with price control out there is sure to be the same pattern of forward buying in order to stay in business.

Senator TAFT. I don't think anyone disagrees that on anything that is as scarce as sugar there has to be some form of control. The question is how general it has to be, and so forth.

Mr. ECCLES. Well, I say that whenever there are scarce goods there is that danger. The raw-material producer gets all he can get. The manufacturer, therefore, is scrambling around trying to get the raw material that he needs. Then, in turn, the fabricator is reaching out to try to accumulate a supply and to be sure that he can get material, and he buys more than he might need if it was a buyers' market. He buys more than he needs at an increasing price and that goes all the way down the line until it finally gets to the consumer and goods are just not hardly available for him at all.

Then he gets panicky and he starts to buy more than he needs for fear it is going to disappear. That is what happens when price control and rationing are taken off in a short market when the supply of money and credit are in excessive amounts. It is just inevitable. It is a pattern that has taken place not only here but elsewhere, and OPA needs to have the support and the confidence of the public. They need to have money to back them up, instead of being kicked and battered around. They are an instrument of usefulness. They are all we have; bad as they may be, they are all we have. They are certainly better than nothing. Even Mr. Avery goes on to say here [reading]:

Asked his opinion relative to OPA, in view of this rather awe-inspiring buying rampage, Avery hesitated. As an industrialist—

He is head of United States Gypsum Co.—

he intimated that he favored the removal of all price control, but as a merchandiser he was frankly fearful of what might happen should all restraints be lifted prior to the time when merchandise was once more competitive.

Now, you see where the manufacturer who has to depend upon a source of supply, he wants to get rid of price control largely, but when you get to the jobbers and the retailer and the consumer, and even the fabricator who has to depend upon buying a great deal of manufactured articles, you will find their attitude toward OPA is surely very different.

Senator TAFT. I would like to take the evidence of the retailers in Cincinnati. If they were not 90 percent for abolishing the whole business, I would be very much mistaken in the result. I think the larger stores are rather the other way, but the ordinary retailer wants to get rid of the whole thing, maybe unwisely. I agree with that.

The CHAIRMAN. Did you hear what the Senator said a moment ago about the objections being 4 to 1? I have a list here. My staff has been working day and night on this. Our mail from New York State shows for OPA 19,325; against it, 250. Outside of New York letters have come to me, or telegrams, 7,275 for and 100 against.

I think that indicates something about the public attitude.

Senator MURDOCK. Mr. Chairman, in connection with the statement read by Governor Eccles of Sewell Avery, may I read a paragraph here from a statement of the National City Bank of New York? [Reading:]

In the markets demand continues insatiable for merchandise. Consumer expenditures in the first quarter of 1946 were at an annual rate of 120 billion, compared with 105 billion in 1945. April has shown no letdown. It is estimated that for Easter the department-store sales have exceeded last year by 25 percent. These are dollar figures. They reflect the tendency of people to buy more expensive merchandise, but even when allowance is made for upgrading, the figures show that a huge volume of goods for everyday use is moving.

Senator TAFT. Thank you very much, Mr. Eccles. Your statement has been very interesting.

The CHAIRMAN. It has been persuasive, too, I think.

(Thereupon Mr. Eccles withdrew from the committee table.)

**STATEMENT OF JULES BACKMAN, ASSISTANT PROFESSOR,
NEW YORK UNIVERSITY, SCHOOL OF COMMERCE, ACCOUNTS,
AND FINANCE**

The CHAIRMAN. You are a professor in the New York University, I think, are you not?

Mr. BACKMAN. Yes.

The CHAIRMAN. And you were formerly a member of the OPA, were you not?

Mr. BACKMAN. I was part-time consultant about 3 years ago.

The CHAIRMAN. Senator Taft has asked that you be presented, so I have pleasure in presenting you.

Senator TAFT. Will you state your general qualifications? Are you an economist?

Mr. BACKMAN. Yes.

Senator TAFT. A professor of economics?

Mr. BACKMAN. I am assistant professor of economics, school of commerce, accounts, and finance, New York University.

Senator TAFT. Have you studied especially the question of price relationships, and so forth?

Mr. BACKMAN. I have been making intensive studies of those matters for the past 10 or 12 years and, during the past 4 or 5 years, have been associated at various times with the Brookings Institution, with OPA as a consultant for a while, and have made studies for the National Industrial Conference Board. I acted as technical adviser to the industry members of the President's Cost of Living Committee. I also acted as economic adviser to the steel industry in the 1944 wage case, and to the railroad industry in the 1946 wage case, which we thought was ended about a month ago, and my services were concluded.

Senator TOBEY. Were you ever in business yourself, manufacturing or retailing?

Mr. BACKMAN. I was not in manufacturing. My family was in retailing, and in my formative years I took part in those activities. I have worked for various firms, as well as having taught.

I have prepared a statement, Mr. Chairman, which covers a number of general propositions in connection with price control and, secondly, a detailed analysis of the House bill, particularly with a view to suggesting changes which might make it more workable and which might emasculate OPA somewhat less, if I may put it that way.

Senator TOBEY. The fact remains that in your mind the House did emasculate the bill?

Mr. BACKMAN. I think the House amendments would emasculate the bill in many respects, although they may have been trying for goals that many people might agree with. The way they tried to get there would be another thing. They were moving too fast, and in some ways that I think would be harmful. And so, with that in view, and recognizing full well the almost impossibility of setting legislative standards, I sought to try to work out what we might call the least bad alternatives. I think all alternatives are bad, as Mr. Eccles stated.

First, I would like to say a few words about the role that prices have in distributing available supplies of goods, because it seems to me that then we can discuss this question intelligently and be able to indicate what might or should be done with reference to the part that prices play in our economy, and the alternatives open to us.

Normally, prices have the function of equating supply and demand. If prices are high, it is a signal to producers that more should be produced and to consumers that less should be demanded. The higher price does more than give a signal, it cuts off the demand of the least urgent buyers.

In recent months a grave misunderstanding has developed concerning the nature of the price system and how it operates. Price increases are criticized whenever they are proposed. Apparently they are bad per se. Price control is advocated in the hope that it can prevent price increases which are required by basic economic forces. Price increases are deplored on the ground that some persons will be unable to acquire part of the output as a result of those increases. In effect, it is being implied that there is something immoral or unethical or antisocial about raising prices because by that process some people, particularly those with lower incomes, will be unable to acquire as large a part of the supply as they may desire.

This attitude misconstrues completely the role that price plays in our economy. If, for example, it is said that a price of \$1,200 instead of \$1,000 for a car is wrong because people who can't afford to pay more than \$1,000 will not be able to buy it, then certain other implications follow inevitably. The \$1,000 price can also be criticized on the same grounds because at that price it is clear that those who can't afford to pay more than \$600 would have to forego the purchase of a car. But by the same test, a price of \$600 would be immoral because that price too would make it impossible for those who can't afford to pay that much to acquire cars. And so it would go right down to a price of nothing because at every price there will always be some persons who cannot afford to acquire a given product.

It is one of the functions of price to determine who shall obtain the available supplies. Price helps steer supplies to those who are most anxious to obtain a product and who are willing to make the necessary sacrifice in terms of foregoing other alternatives to acquire those products.

Prices determine in a cold, impartial, inexorable way who gets the available supplies. The importance of this rationing function was obscured during the war years. In fact, under conditions of comprehensive price control, this rationing function became inoperative for many products. It had to be replaced by coupon rationing under

which the Government decided how much each of us should obtain. Thus, if the price system does not allocate scarce supplies, one alternative is that the Government, through rationing and priorities, shall determine who will obtain these supplies. We have eliminated most of these rationing and priority controls, but have not freed the price system so that prices could perform their traditional function. In a situation where prices are fixed at relatively low levels, and there is no rationing, other means will be found to divide scarce resources. Several have emerged.

For some products, of which nylon hose is an outstanding illustration, those persons who have the time to stand in line obtain supplies as against those persons who do not have that time. In other words, instead of price determining who gets the limited supply of such products, the availability of time to stand in line becomes the basis and the test for distribution. This alternative gives an advantage to those with a great deal of spare time and places at a disadvantage those who are busiest.

A second alternative to the free price system is the development of illegal pricing, commonly known as the black market. Here we find price dividing supplies but the levels are illegal. Sellers receive an advantage because they obtain larger profits. At the same time, the income from such transactions is not recorded, thus depriving the Treasury of tax revenues which would help to reduce the inflationary pressures. Buyers who are willing to evade the regulations receive a larger share of the supplies than those who play the game fairly and who refuse to patronize the illegal markets. Thus, a premium is placed upon lawbreaking, bribery, and corruption. The greater the pressure of price increases and the more widespread the practice of trading in illegal channels, the greater is the inducement on the part of those who would be law abiding to participate in these transactions. An ever-widening circle of "lawbreakers" develops until finally social sanction is given to violations, and the whole system collapses. The experience with prohibition during the twenties comes to mind in this connection.

A third device for obtaining more than "a fair share" of available supplies is to know the right people. Those who have the proper connections and contacts are given an advantage and first choice as compared with those less fortunately situated. Once more, goods don't go to those who desire them most, as measured by relative bids, but to those who have influence and contacts. Moreover, under such conditions people in such favorable circumstances are inclined to buy more than they otherwise would, because of the scarcity situation. While you are stocking up, you might as well get enough to make sure you don't have to bother your contacts too often, becomes the prevailing philosophy.

By their very nature, these alternatives are less satisfactory and less fair than the price system. The objectivity of the price system is replaced by the subjectivity involved in the systems described. What is generally ignored is that there is a limited number of units available and that in some manner they must be divided among consumers. If prices are kept too low it does not, thereby, become possible for each of us to consume more. In fact, if the price is kept too low, that action will result in a reduction in the supply available for consumption because some producers will not have sufficient inducement

ment to make these goods available. Conversely, while a higher price appears to result in smaller consumption, that price induces a larger output which means that we as a group have more to consume, not less.

Senator TAYLOR. Is it not true that after the last war some prices went sky high, but production did not increase greatly?

Mr. BACKMAN. I think it depends upon the field, sir. In some fields production increased and in others it did not. But I think there is a great deal to be said against runaway price increases. I am merely trying to point out that when you adopt one system there are some inevitable corollaries. Whether we like those corollaries or not does not change the fact that they exist. The only thing I am trying to point out is that when price does not do it, something else does. I am not saying that all price controls should be taken off.

Senator TAYLOR. Do you think that if nylons were allowed to go to \$10 a pair, which they probably would if the manufacturers were left to their own devices, that would cause du Pont to increase their production, when they have an absolute airtight monopoly? Would they not look to the time when, if they increased their production, they would break their own market, and they can make just as much money at \$10 a pair as they would at a cheaper price with greatly increased production?

Mr. BACKMAN. I am sorry, but I cannot agree with either the assumption or the conclusion drawn from that assumption. In the first place, when the black market price for nylons runs \$2 to \$3, I fail to see how a free market price would be \$10. When people deal in the black market they usually must utilize unusual channels of trade. They involve a premium for lawbreaking; they involve all sorts of extra costs which do not inhere in our regular channels of trade. I would think that instead of the price being \$1.35 for nylons it would be about \$1.75 or possibly \$2. Most of the nylons seem to be sold at \$1.35 to \$1.50.

Senator HICKENLOOPER. Has it not been the experience of black markets that they eventually become competitive among themselves, and, in fact, as to many products, do you not believe that the black market today is becoming a competitive market?

Mr. BACKMAN. I will say this, Senator, that the larger the proportion of trade which goes into the black market, the closer the black-market price would approximate the so-called free-market price. But even under those circumstances you still have to give this fellow a little extra in case he is caught. You still have to pay him for the fact that he is working in a roundabout way; and if you take the outstanding illustration, meat, you have to pay him for the hides which do not reach the market. You have to pay him for all these things which the free price does not include and does not have to include. So I always feel that the black-market price is higher than the free-market price.

Senator HICKENLOOPER. Oh, yes; but the principle is that the black-market price tends eventually to stabilize itself and become competitive within its own boundaries.

Mr. BACKMAN. If the reports we get from some sections of the country are accurate, there seems to be a great deal of eagerness on the part of black-marketeers to buy each others' products. They do not have to report their cash. There seem to be two black markets: the regular black market and the very black market. The first is where

the ordinary citizens buy, and the second is the place where the black-marketeer buys.

For the past 4 years, all the emphasis in dealing with price has been upon its relationship to costs. Prices must not stray too far from costs because large profits might result has been a central theme. However, prices have a relationship to demand as well as to supply. Until this elementary lesson is learned, large groups in Government and out will continue to advocate price control as a solution to the unbalance between supply and demand. However, those terms have little meaning except in relationship to price—a fact which OPA and OES officials seem loath to recognize.

It is important to remember that price control deals with the effects of inflation not with the causes. Inflation control requires other types of action.

The basic cause of the inflationary pressures is found in the increase in the supply of money which resulted from our wartime deficit financing. Price control does nothing to reduce this large supply of money and hence does not reach the causes of our present difficulty. A second aspect of inflation is freer spending because money seems so plentiful. By holding down prices, price control encourages larger spending rather than discouraging it. In this connection, however, it must be noted that price control may have a retarding influence upon price rises by removing the incentive to convert cash into goods which would develop in a period of sharply rising prices. A third source of inflationary pressure is the decline in interest rates. Such a decline leads to a higher valuation of income-producing properties. These increases in property values result in windfall profits to many owners and undoubtedly influences them to spend more freely. Price control does not reach this aspect of inflation. Finally, the inadequate supply of goods and services contributes to inflationary price rises. To the extent that price control acts as a barrier to as large an expansion in production as might otherwise take place, price control does not go to the causes of inflation.

I have recently completed an extensive survey of the economic environment during the transition. This study was prepared in collaboration with M. R. Gainsbrugh, chief economist of the National Industrial Conference Board. It is entitled "Deflation or Inflation."

I am not going to take time to go through all of the facts that are in this volume, but it does represent an effort to bring together the pertinent statistics and ideas concerning the whole question of inflation and deflation, cost and price relationships, and other pertinent matters. I think I would like to call your attention to one very interesting chart on page 67, a chart which shows the percentage change of retail food prices from 1926 to 1945. I think this is particularly interesting in light of the discussion before this committee a few minutes ago by Mr. Eccles, about the purchasing power of money.

It is not generally realized that the price level is approximately at the 1926 level today. If we allow for three or four points not included in the index, it is about 5 percent higher today than in 1926. Frankly we could not believe it when we saw it, and so we tried to get the actual prices of food products at retail in 1926 and 1945 to see how they checked out; and the 32 items which are shown on page 67 indicate how it did check out. Fifteen of them were higher in price and 17 were lower in price than in 1926.

Senator TOBEY. Which is the disparity between them?

Mr. BACKMAN. The upper group shows increases.

Senator TOBEY. Are they offset?

Mr. BACKMAN. Yes; just about offset. The food index is about 1 point above in that 19-year spread.

As to the other components of the index, clothing and house furnishings are about 20 percent above. Rent is about 30 percent below what it was in 1926. Fuel and light are moderately lower. But the whole thing balances out, interestingly enough, about 5 percent above 1926. This would indicate the purchasing power of money today is approximately the same, say 95 percent of what it was in 1926, when we take all of our cost-of-living items together.

Senator MURDOCK. Why did you select 1926?

Mr. BACKMAN. For several reasons, Senator. You will recall that in 1933 the major goal of the Administration was to achieve the 1926 price level, and as I recall, the President announced that if we could not do it one way we would do it in another, but do it we would. I think this has just about accomplished that goal.

Moreover, for the purpose of many comparisons some indexes are set up on a 1926 basis. If we had taken the period, say, from 1923 to 1929, the picture would be substantially the same. It would be about seven points, then, instead of five.

Senator MILLIKIN. I notice that your items on page 26 are not comparative. For example, you have tea up above the line, and I do not find tea below the line.

Mr. BACKMAN. The reason for that is that we merely show the percentage change. Tea went up 35 percent and, interestingly enough, the substitute for tea went down 39 percent.

Senator TOBEY. What is the substitute for tea?

Mr. BACKMAN. Coffee.

Senator TOBEY. It is a good substitute.

Senator TAYLOR. These figures are not duplicated at all above or below the dividing line. It is an entire line of commodities, and some have increased and some have decreased.

Mr. BACKMAN. That is right. We got all the items for which we could get data. There were 32 of them, and we put them together, and here is what we found.

I would like to read one brief conclusion from this pamphlet which bears upon the proposition of price control. I am reading from the bottom of page 73 of "Deflation of Inflation:"

It is urgent that national attention be directed to the development and enactment of an integrated, balanced program directed toward holding all inflationary forces in check. Such a program can rest neither upon the naive belief that the Office of Price Administration, in its present or revised form, alone can hold the rising wage cost-price spiral in check, nor that all price increases per se are inflationary in character. National action must be centered upon measures designed to prevent a further expansion in the monetary factors concurrently at work, to avoid actions which will expand consumer purchasing excessively, to bring a permanent halt to all forms of deficit financing and, in fact, convert the deficit into a budgetary surplus, and reduce sharply the level of expenditures of all Government units for public works except where absolutely necessary. Action is also required to limit inventory speculation, to facilitate greater producing so that lower unit costs can be achieved, and to prevent a further easing of credit such as had been proposed for the purchase of new homes in addition to retention of current controls over consumer credit.

Senator MILLIKIN. That is in the nature of long-term action. It seems to me that if you did all of those things today it would not diminish the existing pressures on the line.

Mr. BACKMAN. I think that is absolutely true, and that is one reason why I am firmly convinced that price control cannot hold the line. I think it can retard the increase; but we have a choice: We can pay the high price above the table or pay it under the table. But it seems fairly certain that in the absence of these related controls, most of which were swept aside at the end of the war, OPA is faced with an impossible job.

Senator MILLIKIN. I have repeatedly suggested, merely for the purpose of getting witness reaction, that OPA has failed to hold the line wherever there was real pressure against the line. That is a very general sort of a statement, but, roughly speaking, would you say it is true?

Mr. BACKMAN. My next proposition is that wartime stability of price is no test of ability to fix prices in peacetimes.

Senator MURDOCK. Before you leave this paragraph on page 74, would it be a fair or reasonable conclusion to come to that you would not uphold the British loan by reason of the inflationary aspects?

Mr. BACKMAN. No; it would not be a fair conclusion. Let me put it this way. We are undertaking a large number of measures which are inflationary. When the administration or the Government pays to fill our classrooms, there are no goods created, and that creates inflationary pressure. I am sure we will all agree that it is a very desirable type of activity and one that must and should be undertaken. I feel that the British loan is essentially in that category. It is inflationary, but we must do it.

Senator TAFT. It is \$4,000,000,000 worth of inflation, just as any other \$4,000,000,000 worth of Government spending is inflation?

Mr. BACKMAN. I think that is exactly true; and the question is one of long-term international economic relations.

Senator TOBEY. But over against that you have got to admit the good results as compared with the inflationary danger. Is not that right?

Mr. BACKMAN. Yes; that is right. It seems that these other values to which you refer outweigh the inflationary danger. Whether the figure should be \$4,000,000,000 or not I would not pretend to say.

Senator MURDOCK. Suppose the funding of the British loan could be accomplished by a siphoning off from individuals and nonbanking corporations, that is, by limiting the sale of bonds to nonbanking corporations and individuals, which, as I see the picture, siphons off the \$4,000,000,000—you would prefer that, would you not, rather than to create exchange of credit for demand deposits in the bank?

Mr. BACKMAN. I think we have a choice of two things, which are essentially the same thing. We have a choice of activating inactive deposits, which is what your suggestion would lead to. That is, if I had a deposit which was not being used and I took part of that to buy a piece of this British loan—if they sold it in baby bonds—the effect would be to activate what is an inactive deposit, and that would be to contribute it to the money side of the market without any goods on the goods side. I think that would be more desirable than the alternative of continuing to add on additional dollars, which is what the \$4,000,000,000 coming from demand deposits would be. But in

terms of short-run effects, I think it would be substantially the same. Now, if I may turn to the third proposition and attempt at the same time to answer Senator Millikin's question:

Five administrators of the economic stabilization program recently reported that the economy was effectively stabilized during the past 3 years. They summarized the past 3 years in these terms.

It is a record which should settle once and for all the question of our technical ability to resist an inflationary blow-up in spite of staggering pressures.

An examination of the record does not indicate any "technical ability" to do this job by means of price control alone. The record is clear on this point and the illustrations familiar to all of us.

Where was this "technical ability" when it came to controlling meat prices during the war or in recent weeks? Or the prices of used cars? Or the prices of poultry? Or the prices of fresh fruits and vegetables in short supply? Or the prices of nylon? Or the prices of other products for which control has been pretty much of a farce? Where is this "technical ability" when apartments are rented by veterans with the usual \$200 or \$300 or \$500 paid "under the table" which is going on in New York, sad as it may seem?

Senator TOBEY. Is that a premium they pay?

Mr. BACKMAN. Under the counter.

Senator TOBEY. To get a lease?

Mr. BACKMAN. Yes. It is perfectly fantastic. Friends of mine have come back and they are willing to pay \$300, and they are just laughed at. It depends upon the size of the apartment. I am just wondering where the technical ability is.

The CHAIRMAN. You think it ought to be enforced, do you not?

Mr. BACKMAN. I think it ought to be enforced if it can be.

Senator TOBEY. Does the veteran who has been faced with this situation go to OPA and report it and tell them that Bill Smith held him up and made him come across? Does he help to have that man put in jail?

Mr. BACKMAN. If he came down and told them about it, and there were no marked bills, it would be rather difficult to prove. These are cash transactions. They are not transactions where you have a check and 14 witnesses.

Senator TOBEY. Is not the greatest reason for the existence of the black market today the fact that the consciences of people are dulled and there is not integrity on the part of the people to help to enforce the law?

Mr. BACKMAN. I am not sure as to that, but I remember in the late twenties when it became a mark of community privilege to discover new speakeasies. You get a widening circle of violators; that is, there are more and more people who feel it is not a wrong thing. I think I can sum it up by a remark made to me by a man who had given up his car, and I had given up mine, and we were watching the cars roll by, and he said, "I feel like a sucker." So far as I know, he has still not bought a black-market car, but how long his will power can stand up I do not know.

Senator CAPEHART. I believe I am correct in stating, in answer to Senator Tobey, that the law makes the seller as liable as the buyer. In other words, the law applies both to the seller and the buyer.

Mr. BACKMAN. I am not sure that that is an accurate statement.

Senator CAPEHART. I think it is very accurate.

Mr. BACKMAN. Mr. Van Veen, is the buyer liable?

Mr. VAN VEEN. If the purchase is in the regular course of business, both are liable.

Senator CAPEHART. Would it apply in the case of these apartments that Mr. Backman is talking about?

Mr. VAN VEEN. I do not think so, sir.

Mr. BACKMAN. It is only commercial transactions that are affected.

Senator CAPEHART. In other words, if I bought X amount of something as a manufacturer, from you, over the ceiling, we are both subject to penalty?

Mr. VAN VEEN. Yes, sir.

Senator CAPEHART. Is not that one reason why these cases are not reported, Mr. Chairman?

The CHAIRMAN. We are going to have the enforcing agency here.

Senator MURDOCK. Do you want this committee to believe that veterans are being swindled, as you have indicated here, in large numbers, and are simply taking it lying down, without making any report to the OPA on the matter?

Mr. BACKMAN. I have no way of knowing what is reported to the OPA, but I do know, first hand, of a dozen cases of friends of mine who have come back and who have had their trials and tribulations in getting apartments. I do know the experience my wife had in trying to find an apartment and the subtle ways in which it was suggested as she went from one place to another that a bonus should be paid.

Senator MURDOCK. Do you want the committee to believe that veterans of this war are being swindled in large numbers by landlords in renting apartments to them at a premium?

Mr. BACKMAN. It is not necessarily the landlord; it may be a "super" or whoever the renting agent has that is getting a premium; and the premiums run at the level that I have indicated, in New York City. I am talking now about apartments that rent anywhere from \$50 to \$60 for three rooms, up.

Senator MURDOCK. And veterans in large numbers are being swindled by that black market procedure?

Mr. BACKMAN. The veterans who are getting apartments.

Senator MURDOCK. Are they just exceptional cases?

Mr. BACKMAN. The only way you can get an apartment in New York today is to be the relative of someone who owns an apartment in which case you may not be charged to go in, or go in and see that you talk the proper language.

Senator MURDOCK. I would not expect an economist such as yourself, with your reputation, to come here and give this committee as a fact what you have given it without at least knowing that there are a considerable number of these cases among the veterans.

Senator HICKENLOOPER. I think the witness said there were dozens of them.

Senator MURDOCK. I would like to have that question answered. I am trying to get at the fact of what investigation you have made; what your conclusions are as to the number of veterans who are being swindled by the procedure that you have indicated. I just cannot believe, with all due respect to your statement, that the men who have been out fighting this war and have returned would take what you indicate they are taking, lying down, and not report it. I may be wrong, but I just cannot believe that, and I am wondering if your

investigation has been sufficient to warrant the statement that you have made.

Mr. BACKMAN. I stated that I knew a dozen cases. I stated what the reaction was where people that I know, including my wife, went away—and they did not know whether she was the wife of a veteran or not—and I am stating what is a matter of common knowledge in New York City. That is all I know first hand.

We have had at New York University special courses for veterans who do not come back in time to start the term. Every veteran ordinarily is in the same class with nonveterans, but those who come back in the middle of the term are in special groups for a period before they get merged with the regular groups. I now have three groups of 75 apiece, and when the question of renting apartments is up I usually get a few nods of the head, and I have never heard a single exception to that. I do not say that every one of them pays the premium. How many pay the premium I do not pretend to know. But in the city of New York, unless you are a member of the family, the majority pays a premium. There is no other way of getting an apartment.

Senator MURDOCK. Are you giving great weight to this first-hand information from the experience of your wife, or from the actual veterans?

Mr. BACKMAN. Those who have come back, who are personal friends. They do not know what they can do about it. If they report it, they have no evidence.

Senator MURDOCK. How many of them have you contacted, your personal friends, veterans of this war who have gone through that experience?

Mr. BACKMAN. About a dozen.

Senator CAPEHART. I would like to call the Senator's attention to the fact that there is no violation of the law involved. In the city of Indianapolis, all during the war—I do not know whether it is still expanding or not—people ran advertisements in the newspapers offering to give a bonus or give merchandise to anyone who would secure for them an apartment or a home.

Senator MURDOCK. The thing that is surprising to me is that the veterans who have fought this war for us are willing to come back and be victimized by that type of procedure; and I am still unwilling to believe that they are in large numbers submitting to that.

Mr. BACKMAN. I do not believe they are getting apartments in large numbers. I think that is the answer.

Senator CAPEHART. I know that in Indianapolis it happened. There is nothing illegal about it, because if I want to pay you \$200 to look up an apartment for me, I have a perfect right to do that.

Senator MURDOCK. I would say that anybody who has an apartment to rent and makes a veteran of this war pay \$200 under the table for it, ought to be in jail.

Senator CAPEHART. I agree with you a hundred percent.

Senator MURDOCK. That is where he belongs.

Senator CAPEHART. The way it happens is that they pay the \$200 to a clerk or some other employee of the apartment building to notify them there is a vacancy.

Senator TOBEY. As a brokerage fee.

Senator TAFT. It is no worse than all these other black markets which are charging veterans excessive prices.

The CHAIRMAN. You must have been very indignant when you heard about it.

Mr. BACKMAN. My indignation was small compared with the indignation of these other fellows.

The CHAIRMAN. You did not speak to the OPA about it?

Mr. BACKMAN. I did not speak to them. That is their problem, not mine.

The CHAIRMAN. They have to know about it first.

Mr. BACKMAN. I suggested to these people that they ought to report it; but I do not think it is my responsibility to say that John Jones paid something under the table. It is his problem, not mine. I said to them, "It is just too bad." And they say, "What do you want us to do—sleep in the park?"

Mr. VAN VEEN. We have had cases of that sort prosecuted. If you would like me to produce the reports I will be glad to do so.

Senator MURDOCK. I would like very much to see them.

Senator HICKENLOOPER. There was an article in a New York paper within the last 3 days—I think I have it in my office. It was either in Sunday's paper or Monday's or Tuesday's paper. It was on this very thing, about the gouging of veterans in New York, going up as high as \$4,000 to buy somebody's furniture in order to get apartments. It was quite an article; I believe it was about half a column, and it was devoted to this very matter about how veterans in New York City are being charged premiums for apartments. They will be charged \$300 or \$400 to \$500 for an apartment that will rent for \$70 a month. These figures are comparable. It was a very startling thing. I think I have the clipping in my office.

Senator TOBEY. What is the name of your enforcement officer?

Mr. VAN VEEN. Mr. Moncharsh. He will be here this afternoon.

Senator TAFT. I would like to get through with this testimony, Mr. Chairman.

Mr. BACKMAN. The question of technical ability, I think, has also come up in connection with low-priced clothing and low-priced house-furnishings and low-priced textiles, but I assume this committee has heard enough about that particular problem.

The fact is that price control was successful primarily where other controls were available to implement it. Thus, rationing and priorities helped to control the flow of supplies and to limit demand. Wage control helped to hold down costs. Profits on war orders made it possible to absorb cost increases for nonwar goods. The tremendous increase in wartime volume, curtailment of selling costs, and shift to higher priced and more profitable lines helped to overcome the squeeze which developed as a result of higher costs. Large savings by individuals, war-bond drives, and heavy tax programs helped to mop up excess purchasing power. Cooperation by the public, stimulated by patriotic wartime fervor, helped immeasurably. Purchase of all or a major part of the supply by the Government was an important factor for some products.

Price control and subsidies were utilized in addition to these controls. They were part of a comprehensive wartime program, a good part of which has since been eliminated. The wartime record demonstrates conclusively that where these supplementary controls were not effective, price control was not effective.

The fourth proposition is that price control is impossible without wage control. I think that is a fairly clear matter, and I shall not spend any further time on it.

The fifth proposition is that the wartime price structure even as modified since VJ-day is inadequate for peacetime needs, and rigid price control will adversely affect output.

Even the most cursory examination of price behavior will reveal the marked changes which ordinarily take place in price relationships under the impact of changing demands, shifts in supply, technological changes, introduction of new products or new models of old ones, and Government actions.

Senator TAYLOR. The figures show that everybody, practically, is working. How would you get increased production by increasing prices?

Mr. BACKMAN. I think there are several ways. One problem is, what are we working at? The second is the ability to use your existing force more intensively. For example, if a 40-hour week is possible under today's price ceilings, it does not follow that a 48-hour week, with time-and-a-half for overtime, is possible under those ceilings. Take the situation in textile mills, where wage costs mean, roughly, 25 percent of the total ceiling price of the mill. A 50-percent premium today adds 12½ percent to the article manufactured. That is a relatively high proportion of wages in that particular area, and that 12½ percent would be the difference between the last 8 hours output being profitable or unprofitable. In that case price control acts as a deterrent to production.

Of course there are several over-all barriers which we hope are behind us, but I am not too sure. The steel strike, which was a wage question, was distinctly tied up with the question of price control. As long as it seemed impossible to get a price increase, the wage increase asked for or the compromise finally reached could not be reached, and it was only when there was relief on the price front that the wage relief was granted, and a strike of 4 or 5 weeks' duration was terminated.

In that area in a very broad sense price control has acted as a barrier to production.

The relationship between price control and the coal strike I do not pretend to know.

There is another aspect, and that is producing your high-profit lines, because that is where you make your money, but you do not produce your low-profit lines.

Under wartime conditions, in large areas of the economy, prices lost their significance as a guide to the proper flow of resources because major changes in the forces influencing prices have not been reflected in particular prices or in their relationship to other prices. As one observer has noted, prices have been becoming progressively "devalitized." To facilitate the most effective functioning of our economy, prices must once more help to channel the flow of resources. This necessarily means permitting significant changes in price relationships. This cannot be accomplished under a rigidly controlled system of price fixing.

Moreover, wartime price relationships reflect historical accident rather than the influence of underlying pressures at the time they were fixed. Products were brought under control at different times, the Emergency Price Control Act limited the levels below which OPA

could not fix prices of agricultural products, enforcement of control has varied as among products and sections of the country, looser standards were used where production had to be encouraged, and varying standards were applied. The interplay of these factors has given us a series of price relationships which are not very meaningful. The changes since VJ-day have not corrected this unbalanced situation.

It may be suggested that OPA could manipulate price relationships to achieve the desired results. This is improbable. The agency would have no criteria to determine how resources should be allocated.

Our experience with low-priced goods in the textile and furniture fields certainly lends no encouragement to the idea that OPA could manipulate prices in a manner which will result in a balanced output. It is no answer to point out as has been done by Mr. Bowles and others, that the total volume of production is above that in the pre-war period. For a short period of time anything that is produced apparently can be sold, but how long will we be willing to buy yellow sport shirts instead of white shirts. How long will we be willing to buy inferior products instead of the qualities to which we were accustomed before the war? It is not enough to point out that we are producing a large quantity of goods. It is equally important, if not more important, to indicate that we are producing the right goods.

Senator TAFT. Is there any indication that the over-all production per man is less?

Mr. BACKMAN. I think so. I do not have at hand, data on productivity. The Bureau of Labor Statistics says that for war time production of so-called peacetime goods there was very little, if any, change in productivity. Most of the statements regarding greater productivity concern large changes in productivity in connection with so-called war goods.

May I turn to the sixth proposition, that the prospect of profit is the greatest stimulus to production that has ever been devised.

Closely related to this question of balanced production is that of profits which can be obtained from any given combination of materials, plant, and manpower. Under conditions of shortage such as those which prevail at this time, it seems to me quite clear that producers will use those resources in such a way as to maximize their profits. If they are prohibited from obtaining more than out-of-pocket costs, for some items, it can be expected that their production will be sharply curtailed or discontinued.

Senator TOBEY. Are you going to touch upon OPA'S doctrine of maximum average price?

Mr. BACKMAN. I had not intended to discuss that.

Senator TOBEY. You are going to take it up, are you not?

Mr. BACKMAN. I will.

The way to get low-priced goods is to offer a larger profit than manufacturers can obtain by using the same manpower and materials in the production of higher-priced, greater-profit items. The truth of these observations was fully demonstrated during the war. We paid the highest price required to obtain the war material so urgently needed. We need a greater recognition of the importance of profits than is evident in the various adjustments made by OPA.

Senator TAYLOR. Mr. Chairman, Governor Eccles just pointed out to us that industry's profits now are as high as they have ever made, on an over-all basis.

Mr. BACKMAN. I think one of the national fallacies which has been very sedulously cultivated in the past few years is this abomination of averages and totals. Industry does not produce according to an industry-wide average. Here are 100 men, 30 of whom have to be used in producing an item which is not very profitable. The balance can produce profitable items, and there are additional opportunities to produce those profitable items. Then those 30 men will be shifted to producing more profitable items. It says exactly nothing to say that the total profit is high. How high it is today I do not know. But the decision is made in terms of what we can make by using these material resources and developing a better opportunity to do one thing. If you make less profit doing the other, you do not do it.

I think it is a confusion of thinking to talk about over-all profits. We will never meet the output of low-price items in terms of over-all profits, because many of those firms make money and can make money, more money, on higher price items.

Senator TAYLOR. You would never get the lower priced goods until the people run out of money and just cannot afford to buy the higher priced goods.

Mr. BACKMAN. There is still a tremendous number of people who have limited money and who would like to buy these low priced goods.

Senator CAPEHART. You talk about low-priced merchandise as though there was no profit in low priced merchandise, when the facts are that you can make just as much profit manufacturing low priced merchandise as you can manufacturing high-priced merchandise. The most successful man in the automobile business is Henry Ford, who has made more money than any other automobile manufacturer, and he made his money making a low price automobile.

Senator TOBEY. In passing, you might mention the fact that he paid higher wages, too.

Senator CAPEHART. Yes. When you talk about low price merchandise it does not mean that there is not a profit on low price merchandise, because you can make just as much money making low price merchandise as you can making high price merchandise.

The CHAIRMAN. They are not selling the low-price goods because there is more profit in the high price goods?

Mr. BACKMAN. Yes.

Senator TAFT. They are not allowed to sell the low-price goods.

Mr. BACKMAN. There has been a clear-cut tendency for the low-price items to disappear from the market.

The CHAIRMAN. You want the consumers to pay higher prices?

Mr. BACKMAN. I always feel, Senator Wagner, that paying \$2.50 for a \$1.50 shirt is better than paying \$3 for some of the things you find, when you find them.

Senator TOBEY. In the higher price ratio you get material that is better.

Mr. BACKMAN. In fact, OPA, when it announced the incentive program not long ago, finally accepted a judgment which many people had given during the war that by that incentive program they were not increasing the cost of living, because it made available more \$2.25 shirts instead of \$3 shirts.

With regard to the question of decontrol of prices, several standards have been established by OPA of which the more important are when supply comes into balance with demand and items which do not enter significantly into the cost of living or into business costs. The test

of supply coming into balance with demand is not very meaningful. This seems to be the chief criterion being used to guide decontrol activities. It seems logical and plausible but it is an inadequate standard. Supply, demand, and price must be considered together. It is meaningless to talk about adjustments of supply to demand without relating both to price. If such an adjustment is attempted to a price which is too low, the accompanying maladjustments may be as serious as those which would attend an excessive price rise.

Under this test, price, which normally is a result of supply and demand, would remain fixed while supply and demand were adjusted to that price. However, there is no reason to believe that postwar supply and demand will come into balance at the present fixed prices. In some cases higher costs will impede the increase in output required to meet the demand at that price level. In other cases, accumulated needs backed up by purchasing power and savings are greatly in excess of the supplies that can be made available at wartime prices.

Moreover, this criterion implicitly sanctifies these prices and price relationships and implies that they are the right prices merely because they are already set.

Senator MILLIKIN. If supply is in balance with demand at, let us say, the OPA ceiling—let us assume that—would it not be the right thing to take that item out of control, whereupon it would seek its economic price, whatever that might be?

Mr. BACKMAN. If it were in balance, as you say, it certainly should be taken off price control. If we cannot apply this so-called formula under circumstances of that kind, where will it be applied? I just do not understand many of these things, I am very frank to say.

Senator MILLIKIN. The contrary theory confesses a perpetual regimented economy?

Mr. BACKMAN. I do not think there is any question about that.

I read a report in the Sun of an exchange between Senator Capehart and Mr. Vinson in which figures like 150 and 175 percent were apparently rejected, if the newspaper account is correct, as being a satisfactory barrier which should be hurdled. You can make it 200 or 250, and set it so high that you can never get out of price control.

Senator MILLIKIN. Secretary Vinson did say that when demand comes in balance with supply, assuming it is not just a flash situation, then there should be decontrol.

Senator TAFT. In a case like oil, where supply already equals demand, even at the OPA fixed prices, the case for decontrol is complete, is it not?

Mr. BACKMAN. I do not pretend to know the oil situation completely but I have noticed some figures showing that inventories are going up. I would say definitely that that is a proper case.

Senator TAFT. When you take a price factor into consideration you should perhaps take a price higher than the wartime price.

Mr. BACKMAN. I think supply and demand will come into balance more certainly at a higher price. That means possibly 10 or 15 percent. You would cut off the demand from some people who will not pay that amount of money. If you make the price low enough you will never get any balance between supply and demand, because so many people will want the goods that it will be impossible to meet all demands.

Senator TAFT. Nobody will want to produce those items?

Mr. BACKMAN. That is correct.

Senator MILLIKIN. Once you set a particular item free, it may go up, being free, or it may go down.

Mr. BACKMAN. I am not one of those who is so fearful of every price increase, considering the level of incomes and considering the general level of accumulated "savings," which is a rather dubious term to use for these wartime deficits which people had in their pockets. Considering the level of those factors, it seems to me that a higher price level is inevitable. An attempt to balance at the present price level means that we will not balance, and we will have the same argument about inflation next year. I am certain that next year the same argument for the extension of control because of the danger of inflation can be made as can be made today, because the tremendous backlog of savings will still be with us.

Senator TAFT. That is contingent upon prices being maintained exactly as they are?

Mr. BACKMAN. Yes. If present prices were maintained and the act were unchanged, you would get that result.

Senator MILLIKIN. Under your theory, if supply comes in balance with demand at an OPA price, that certainly is a perfect example of a commodity that should be taken out of control?

Mr. BACKMAN. Unquestionably.

Senator MILLIKIN. Would you go further and say that the price itself maybe an impediment in bringing about a state of balance?

Mr. BACKMAN. That is right. You will have cases where it will be in balance with the customer level and there will be many more cases where it will not.

Senator CAPEHART. You referred to the conversation between Mr. Vinson and myself. I have been trying to establish this fact with each of the Government witnesses. I have established it to my own satisfaction—the fact that they are not thinking of taking controls off at all and that they want the act to remain as it is, and that they are not even willing to settle at 150 or 175 or 200 percent. They feel that a year from now they will be back here again asking for price control to be continued. I have established that fact with each of the Government witnesses, that they are not willing to compromise, that they are not interested in setting up a formula. They simply say that the act must remain as it is. They are opposed to any changes whatsoever.

Mr. BACKMAN. I noticed that Mr. Bowles the other day pointed out that the coal strike had made it clear that we might possibly have to have price control a little longer.

Fundamental conditions have changed so markedly since they were set that, in many instances, these fixed prices will have little relationship to economic realities. These prices are highly abnormal. An attempt to adjust the economy to the present price structure seem certain to create many difficulties and will act to disrupt production. It would be more realistic to consider price as one of the variables and to permit moderate price increases, particularly where they would not lead to a spiral of prices, and would facilitate a balancing of supply and demand.

Senator MILLIKIN. Certainly that would be true of those items where the most restriction prevails.

Mr. BACKMAN. That is right. When supply goes up to a fairly substantial level—not when all demands have been met but when you can stop your runaway price increases, and they can be stopped by large production—you can take off your controls.

I notice that Mr. Porter did not like the Colmer committee statement, but I think it is a much more satisfactory test than what we have.

The next proposition is that too many nonessential items are still under price control.

Under Office of Economic Stabilization Directive No. 68, price control is removed where the following three conditions prevail: (1) Commodity does not enter significantly into the cost of living or business costs, and (2) price control involves “administrative difficulties which are disproportionate in relation to the effectiveness of the control or the contribution to stabilization,” and (3) there is no “threat of diversion of materials, facilities, or manpower from war production or any substantial diversion from the production of other commodities and does not impair effective price control with respect to other commodities”. (Section 2 (a)). For a product to be eligible for decontrol, each of the above three standards must be met. This formula is too rigid. It would be much more realistic to use only the first standard; namely, that items that do not enter significantly into living costs should be decontrolled. I recently made a study for the frozen-food industry. I found that such items as frozen carrots, which account for 4 cents out of every \$10,000 spent for food, still are subject to price control. I submit that it is a highly unrealistic standard that does not automatically, exclude such relatively unimportant items in the consumer’s budget from price control.

Just a few words about subsidies. An integral part of the economic stabilization program has been the payment of subsidies, particularly on foods. There was a strong case to be made for subsidies during the war. That case is much weaker today.

Large scale subsidies mean larger budgetary deficits and in turn greater inflationary pressure.

Subsidies are paid out of the Federal Treasury. To the extent these payments are made, total expenditures of the Government are increased. If the budget were balanced, these payments would represent taxes collected, and hence there would be no net inflationary influence. When, on the other hand, the budget is unbalanced, these subsidies add to the magnitude of the resulting deficit. To the extent that this deficit is met out of bank borrowing or the use of idle Treasury cash balances, the pressure for price increases becomes greater. In the latter case, what were idle funds are activated and the number of dollars available to buy goods is greater than the volume of goods at current prices.

The total cost of subsidies has been increasing steadily. Thus, for example, in June 1943, after the adoption of the roll-back program, food subsidies were being paid at the annual rate of \$664,000,000. By December 1, 1943, they were being paid at the rate of \$1,100,000,000. By April 1, 1944, the rate of spending had increased to \$1,350,000,000. For the fiscal year 1945–46 total food subsidies have been estimated at \$1,750,000,000. A similar amount apparently has been requested for 1947. However, if past experience is any guide, and the present price control and subsidy program is continued, demands will be made upon Congress for additional appropriations for

subsidies as the fiscal year progresses. The increases of \$150,000,000 authorized for meat and flour subsidies a few weeks ago, illustrate the point I am making.

Senator MILLKIN. A little while ago you suggested that in the case of insignificant items they should be tossed out because they are insignificant, regardless of the relationship they have, and so forth?

Mr. BACKMAN. That is right.

Senator MILLKIN. At one time we had a fur coat price problem. You have utility furs, which are now a necessity, and you have luxury furs. The thought that occurred to my mind was: Why have a ceiling on luxury furs? Let the people buy furs and spend as much money as they want to for luxury furs.

When I got into that I was told by OPA that that would enable the luxury fur people to pull into that part of their business the best workmen, and lots of materials that were needed in the utility field. I wonder if that has any relation to the reason why OPA wants to consider the relationship between what it decontrols and the rest of the economy.

Mr. BACKMAN. I think definitely that that is a consideration which has played an important role in OPA's thinking. I think we must be fair to the agency and point out what they have done. They exempted fur coats selling for over \$8,000. A few months ago they did take off controls from some of the luxury furs.

Senator MILLKIN. It gave me a little pause. I was all "het up" on the subject, and they gave me a little pause with that argument, and I have been trying ever since to see whether it is valid and how much weight it carries in its validity.

Mr. BACKMAN. I think the question I would like to have data on, if I were trying to analyze that situation, would be on the volume of minks, ermine, and so on; how much manpower is now involved? how much could the production of those items increase? You cannot change a skunk into a mink merely by deodorizing it. We have furs that look like the more expensive furs; but how many mink skins have we? This business of diversion is a very interesting one. I feel that either you are going to start decontrolling or you are not. If you cannot start with insignificant items, you might as well give up the idea of decontrol at all.

Senator MILLKIN. You can make these ceilings too thin and extend them too far?

Mr. BACKMAN. I think if a mistake must be made, it should be made in going too far. We must take some calculated risks, and if we do divert some materials, I do not know that that is so terrible. We are going to have the problem of providing jobs, and jobs are provided in these so-called nonessential industries.

One last observation on subsidies. Subsidies to compensate for wage increases are a very dangerous policy.

On several occasions during the past few months, the administration has attempted to offset the effects of wage increases by paying larger subsidies. It will be recalled that one of the early proposals in connection with wage increases for meat packing-house workers was to have the increased cost absorbed by higher prices on Government purchases of meat, or a subsidy. The subsidies requested for Mr. Wyatt's building program were also designed in part to compensate for wage increases. The most significant step in that direction, how-

ever, was announced on March 28 of this year. On that date, the Office of Economic Stabilization announced that—

the administering agencies are further adapting the Premium Price Plan (for copper, lead, and zinc) to handle cost changes incurred in making wage adjustments under the Government's wage-price policy.

This announcement also stated that subsidies will be used to compensate for retroactive payments.

Senator TAFT. They were used for retroactive payments in the meat industry, definitely. They were proposed here to be used in connection with increased wages in the copper industry.

Mr. BACKMAN. That is what this has reference to, copper, lead, and zinc.

Senator TAFT. And there have also been increases in the last few months in subsidies for sugar, for coffee, and for milk, I think.

Mr. BACKMAN. The use of subsidies to compensate for wage increases is the most dangerous of any of the policies adopted during the period since VJ-day. There is nothing so attractive as the illusion that we can increase wages without any impact upon price. If such a policy were adopted on a wider scale, and there is no reason to believe that the administration would not do so, a real pipe line would be established into the Treasury. I can think of no greater loophole in the present subsidy program than this. Congress should provide specifically that no subsidies shall be used to compensate for wage increases.

I would like to turn now to some comments on the House bill, if I may, and I would like to direct my attention particularly to three provisions: the "reasonable profit" provision, the so-called Wolcott amendment, the Gossett amendment on decontrol and subsidies.

I have examined the House record in great detail, both in the House, before the committee, and on the floor, and, if the committee is interested, I have prepared a detailed analysis of the votes on these amendments—the amendments rejected and those accepted, and so on, and it may be of some use to you. I have only one copy, sir; I would be glad to put it into the record and make it available to you, or have it retyped and send down copies to the members of the committee.

The CHAIRMAN. I think that would be a good idea.

Mr. BACKMAN. I call it "House amendments." It is based upon the Congressional Record of April 17, 1946, and the relative strength of votes.

Senator TAFT. Don't you think it might be a useful thing to have in the record?

The CHAIRMAN. Yes.

Mr. BACKMAN. I will be very happy to have it reproduced and send a copy to each member of the committee.

Senator TAFT. You will not need to do that if you put it into the record.

(The document referred to and submitted by the witness is as follows:)

HOUSE AMENDMENTS

(Congressional Record, April 17, 1946)

1. Termination date: March 31, 1947 (Wolcott) (p. 3949):
Ayes, 171; noes, 144 (p. 3961). Ayes, 209; noes, 189 (p. 4009).
2. "Reasonable profit" (sec. 2) (Wolcott) (p. 3961):
Ayes, 200; noes, 112 (p. 3971). Ayes, 259; noes, 137 (p. 4010).

3. Subsidies (sec. 7 (a)) (Wolcott) (p. 3972):
Ayes, 153; noes, 89 (p. 3977). Ayes, 245; noes, 150 (p. 4013).
4. Amount of subsidies (Wolcott) (p. 3977):
Passed (p. 3980).
Ayes, 245; noes, 150 (p. 4013).
5. Prohibition of meat subsidies (Flannagan) (p. 3978):
Ayes, 128; noes, 57 (p. 3980). Ayes, 204; noes, 182 (p. 4014).
6. Right to terminate tenancy of nonveterans (Miss Sumner) (p. 3981):
“(r) No regulation or order issued under this Act shall restrict or limit the right of any landlord to terminate the tenancy of any tenant (other than a veteran) to whom he has rented any housing accommodations, or to recover possession of any housing accommodations from any tenant other than a veteran, if such landlord has leased such accommodations to a veteran, or makes an affidavit that he will lease such accommodations to a veteran upon recovery of possession, and the lease of such accommodations to such veteran will be at no greater rent than that charged the tenant from whom possession is recovered. As used in this subsection, the term ‘veteran’ means any person who shall have served in the active military or naval service of the United States at any time after September 16, 1940, and prior to the termination of the present war, and who shall have been discharged or released from active service under conditions other than dishonorable after active service of ninety days or more, or by reason of an injury or disability incurred in service in line of duty.”
Ayes, 39; noes, 87 (p. 3981).
7. OPA to report its decontrol plans to Congress by October 1, 1946 (Crawford) (p. 3981):
Passed (p. 3982) (p. 4011).
8. Rent adjustments (Baldwin of Maryland) (p. 3982):
“SEC. 5. Subsection (c) of section 2 of the Emergency Price Control Act of 1942, as amended, is amended by inserting after the first sentence thereof the following new sentence: ‘The Administrator shall when so requested in cases of individual properties make such adjustment of the maximum rents of the housing unit in an individual property as are necessary to provide sufficient income to cover all current costs of operation, administration, repairs, current and deferred maintenance at 2 percent per annum, insurance, taxes other than income taxes, depreciation, and in addition thereto a reasonable return on the fair value of the property.’”
Ayes, 79; noes, 108 (p. 3982).
9. Shift of rent control to States (Gamble) (p. 3983):
SEC. 2. (r) When any State is prepared to undertake the control of the rent of the housing accommodations located in areas within its boundaries and when any State finds its housing conditions warrant such control and adopts, or has, a State law providing for the control of the rent of housing accommodations in such areas in the State as the State authorities find require such control, section 2 (b) of this Act and the provisions of any other section of this Act relating to rent shall not, thirty days after any State enacts such a law, or if any State has such a law, then thirty days after the enactment of this subsection, apply to any area located within the boundaries of that State. The Administrator, within thirty days after the enactment of such a law by any State, or if any State has such a law, then within thirty days after the enactment of this subsection, shall issue a regulation or order abolishing the controls upon rents imposed in such State by authority of this Act and is prohibited from reestablishing such controls.”
Ayes, 52; noes, 109 (p. 3983).
10. Elimination of control over livestock and meats (Wadsworth) (p. 3983):
“SEC. 4. Section 2 of the Emergency Price Control Act of 1942, as amended, is amended by inserting at the end of such section a new subsection as follows:
“(p) Notwithstanding any provisions of this Act no regulation, order, directive, or allocation shall be issued, made, or maintained (including directives for distribution or price schedules) with respect to livestock or any edible product processed in whole or substantial part from livestock.”
Ayes, 139; noes, 122 (p. 3986). Ayes, 172; noes, 223 (p. 4012).
11. Elimination of control over grains (Hope) (p. 3984):
Ayes, 62; noes, 116 (p. 3986).
12. Earnings standard and reasonable profit (Sundstrom) (p. 3986):
“SEC. 10. Section 302 of the Emergency Price Control Act of 1942 is amended by adding thereto a new subsection as follows:
“(k) The term ‘reasonable profit’ shall mean the margin of profit at least equivalent to the average margin of profit generally prevailing in the industry during the calendar years 1939 to 1941, inclusive.”
Ayes, 107; noes, 128 (p. 3989).

13. Decontrol standards (Gossett) (p. 3989):

Ayes, 193; noes, 109 (p. 4002). Ayes, 228; noes, 166 (p. 4011).

14. Decontrol standard—120 percent of 1941 (Voorhis) (p. 3990):

In the second line of subparagraph (2), after the word "commodities", strike out the words "the producers of which are not represented by an industry committee as provided in section 2 (a) of the Emergency Price Control Act of 1942 as amended".

In the sixth line of subparagraph (2), after the word "production", insert "and sale".

At the end of the seventh line of subparagraph (2), after the word "volume", insert "120 percent of the".

Strike out all of subparagraph (3), and in the fourth and fifth lines of subparagraph 4 (a), after the word "consumption", insert the word "needs".

Rejected (p. 4002).

15. Decontrol standard (Mundt) (p. 3999):

"The authority of the Office of Price Administration, under the provisions of this Act, to fix prices on any commodity or product shall automatically terminate when that commodity or product can be demonstrated to have been in production for three consecutive months at the average monthly rate at which it was produced during the calendar year of 1939: *Provided, however,* That each purveyor or producer thus exempted from price-control regulations is prohibited from adjusting his prices upward by more than 10 per centum in any six-month period during the life of this Act."

No vote.

16. Decontrol standard (Cooley) (p. 4002):

In line 1 of subsection 4 (a), after the word "commodities", insert the following: "or commodities processed or manufactured in whole or substantial part from an agricultural commodity".

And in line 4 of such subsection, after the word "commodity", strike out the period and add the following: "so grown or processed or manufactured".

Rejected.

17. Decontrol (Cooley) (p. 4002):

In subsection 4 (b) in line 1 thereof, after the word "commodity", insert the following: "or commodity processed or manufactured in whole or substantial part from such agricultural commodity".

Rejected.

18. Decontrol (Bailey) (p. 4002):

Strike out the words "classes of commodities" wherever found in the pending amendment.

Rejected.

19. Eliminate all subsidies (Whittington) (p. 4002):

"SEC. 5. Subsection (e) of section 2 of the Emergency Price Control Act of 1942, as amended, is amended by striking out the last paragraph thereof and inserting in lieu of such paragraph the following:

"No subsidy payments, and no purchases of commodities for resale at a loss, shall be made for any period after June 30, 1946, by any Government corporation or any agency or officer of the Government for the purposes stated in the preceding provisions of this subsection'."

Ayes, 62; noes, 172.

20. Automobile and reconversion goods retailers profit margins (Crawford) (p. 4002):

Ayes, 151; noes, 114 (p. 4002). Ayes, 214; noes, 183 (p. 4015).

21. Pulpwood prices (Vinson) (p. 4002):

"*Provided,* That no maximum price shall be imposed on pulpwood in any State at a price less than 83 per centum of the highest maximum price established for pulpwood derived from trees of the same genus in any other State, zone, or region, except that fair and equitable differentials may be established between peeled and rough pulpwood'."

No vote.

22. Agricultural products with export surpluses (Whittington) (p. 4003):

"SEC. 8. Section 3 of the Emergency Price Control Act of 1942, as amended, is amended by adding at the end thereof a new subsection as follows:

"(h) After the date this subsection takes effect no maximum price shall be established or maintained—

"For any agricultural commodity in the case of which an exportable surplus is produced in the United States, as determined by the Secretary of Agriculture.

"It shall be the duty of the Secretary of Agriculture to make the determinations necessary for purposes of the application of this subsection and such determinations of the Secretary of Agriculture shall be final and conclusive."

No vote.

23. Cost-plus-profit margin equal to any 3-year period from 1936 to 1941 (Boren) (p. 4003):

Page 10, after line 16, add a subsection as follows:

"No maximum price shall be established or maintained for any commodity under authority of this Act or the Stabilization Act of 1942, as amended, or otherwise, below a price which will reflect to each producer, manufacturer, wholesaler, distributor, jobber, and retailer dealing in such commodity a recovery of cost per unit based on current cost plus a normal prewar margin of profit. The normal margin of profit shall be the average margin of profit on such commodity for any three-year period between the years 1936 to 1941, inclusive."

Rejected (p. 4003).

24. Transfer food control to Secretary of Agriculture (Jenkins) (p. 4003):

"Sec. 3. All powers of the Price Administrator and all powers of the Director of Economic Stabilization, with respect to food, granted by or exercised pursuant to a delegation of authority under the Emergency Price Control Act of 1942, the Stabilization Act of 1942, or title III of the Second War Powers Act, as such Acts were originally enacted or as they have been amended, except rationing, are hereby transferred to the Secretary of Agriculture; and in any case where, under authority of any such provision of law, powers with respect to food are hereafter delegated, such powers, except rationing, shall be delegated only to the Secretary of Agriculture."

No vote.

25. Minimum prices set by States for agricultural products shall be lowest minimum set (Phillips) (p. 4003):

"Sec. 9. Section 1 (a) of the Emergency Price Control Act of 1942, as amended, effective as of July 1, 1946, by adding at the end thereof the following:

"In any case where cost records are kept by a State or a department or agency thereof, pursuant to a State law providing for minimum prices for an agricultural commodity, or any variety thereof, in its raw or processed or manufactured form, a certificate of the State official having authority to establish such prices showing the minimum prices established by said State for such commodity, or variety thereof, shall constitute prima facie evidence of the maximum prices contemplated by this Act and the Administrator shall forthwith issue a temporary regulation or order establishing such prices as maximum prices hereunder. Said maximum prices fixed in such manner from time to time shall remain in effect until set aside by the Administrator upon a preponderance of competent evidence adduced in a public hearing conducted by a public administrator of said State."

No vote.

26. Fresh fruits and vegetable decontrol (Phillips) (p. 4003):

Insert a new subsection (h), under section 3 of the Price Control Act, to read as follows:

"No officer or agency of the Government shall establish a maximum price or issue a price regulation, or continue in effect, after the passage of this Act, any maximum price or price regulation with respect to any fresh fruit or vegetable, except as the Secretary of Agriculture shall find, based upon official estimates of the Department of Agriculture, that the prospective production for the usual marketing season of any fresh fruit or vegetable is at least 10 per centum less than the average of the official estimates of production for the three marketing seasons immediately preceding the season for which such finding is made, or that prospective production for the usual marketing season for any fresh fruit or vegetable is less than the average production for the ten-year period 1934 to 1943, inclusive."

No vote.

27. Notice to canners of prices to be fixed (Landis) (p. 4004):

"That section 2 of the Emergency Price Control Act of 1942, as amended, is amended by inserting after subsection (n) thereof a new subsection as follows:

"(o) Before maximum prices are established or lowered for any canned or processed agricultural commodity which is the product of seasonal canning or processing, the Administrator shall give to canners and processors of such commodity, not less than fifteen days prior to the normal canning or processing season in each major producing area affected notice of the maximum prices he intends to establish therefor. This requirement may be satisfied by publication in the

Federal Register, but the Administrator shall utilize appropriate means to insure general publicity to such prices in the areas affected.' ”

Rejected.

28. Eliminate copper, lead, and zinc and petroleum subsidies (Taber) (p. 4004): Page 6, strike out all of line 25 and lines 1 and 2 on page 7, reading as follows: “Petroleum and petroleum products, \$50,000,000.

“Copper, lead, and zinc in the form of premium price payments, \$100,000,000.”

Ayes, 119; noes, 121 (p. 4004).

29. Exempt local and State officials who comply with local law (Robertson) (p. 4004):

“SEC. 9. Section 205 of the Emergency Price Control Act of 1942, as amended, is further amended by adding a new subsection thereto as follows:

“(b) (1) The provisions of this section shall not apply to the several States, Territories, possessions, or the political subdivisions thereof, and the officers thereof have acted in consequence of and in compliance with any law or regulations having the effect of law of such State, Territory, possession, or political subdivision thereof. (2) Any suit or other proceeding brought against any such State, Territory, possession, or officer thereof under this section shall be dismissed upon the enactment of this subsection.’ ”

Ayes, 84; noes, 133 (p. 4005).

30. “We sympathize with the American people” (Kopplemann) (p. 4005):

Ayes, 52; Noes, 142 (p. 4005).

31. No penalty if violation is not willful (Chenoweth) (p. 4005):

“That subsection (e) of section 205 of the Emergency Price Control Act of 1942, as amended, is amended to read as follows:

“(e) If any person selling a commodity violates a regulation, order, or price schedule prescribing a maximum price or maximum prices, the person who buys such commodity for use or consumption other than in the course of trade or business may, within 1 year from the date of the occurrence of the violation, except as hereinafter provided, bring an action against the seller on account of the overcharge. In such action the seller shall be liable for reasonable attorney’s fees and costs as determined by the court, plus whichever of the following sums is the greater; (1) Such amount not more than three times the amount of the overcharge, or overcharges, upon which the action is based as the court in its discretion may determine, or (2) an amount not less than \$25 nor more than \$50, as the court in its discretion may determine: *Provided, however,* That if the defendant proves that the violation of the regulation, order, or price schedule in question was neither willful nor the result of failure to take practical precautions against the occurrence of the violation, then no damages shall be assessed, and in all cases the burden shall rest upon the Administrator to prove that the violation was willful and deliberate. For the purpose of this section the payment or receipt of rent for defense area housing accommodations shall be deemed the buying or selling of a commodity, as the case may be; and the word “overcharge” shall mean the amount by which the consideration exceeds the applicable maximum price. If any person selling a commodity violates a regulation, order, or price schedule prescribing a maximum price or maximum prices, and the buyer either fails to institute an action under this subsection within 30 days from the date of the occurrence of the violation or is not entitled for any reason to bring action, the Administrator may institute such action on behalf of the United States within such 1-year period. If such action is instituted by the Administrator, the buyer shall thereafter be barred from bringing an action for the same violation or violations. Any action under this subsection by either the buyer or the Administrator, as the case may be, may be brought in any court of competent jurisdiction. A judgment in an action for damages under this subsection shall be a bar to the recovery under this subsection of any damages in any other action against the same seller on account of sales made to the same purchaser prior to the institution of the action in which the judgment was rendered.’ ”

Rejected (p. 4005).

32. Criminal proceedings restricted to State courts (Stewart) (p. 4006):

“SEC. 8. Section 205 of the Emergency Price Control Act of 1942, as amended, is amended by adding at the end thereof a new subsection as follows:

“(h) Notwithstanding any other provision of this Act, after the date this subsection takes effect no criminal proceedings for any violation of section 4, and no action under subsection (e) of this section, shall be brought otherwise than in a State court of competent jurisdiction; except that this subsection shall not apply in any case where there is no State court of competent jurisdiction in which the proceeding or action may be brought.’ ”

Rejected.

33. Submit OPA regulations to Senate and House Banking and Currency Committees for approval prior to issuance (Scrivner) (p. 4006):

“CONGRESSIONAL CONTROL OF REGULATIONS

“SEC. 1B. (a) Before any proposed regulation or order to carry out the purposes of this Act shall be issued exercising authority conferred hereunder, other than administrative rules or orders governing the conduct of the activities of the Office of Price Administration or interagency rules governing its relations with other departments or agencies of the Government, a draft thereof shall be submitted on the same day to the Committee on Banking and Currency of the Senate of the United States and to the Committee on Banking and Currency of the House of Representatives for study, to consider whether such rule or regulation is made in conformity with the spirit, letter, intent, and purpose of this Act, and that no unusual or unexpected use of powers herein granted is proposed. Such regulation or order may be approved or disapproved by the Committee on Banking and Currency of the Senate or the Committee on Banking and Currency of the House of Representatives. In the absence of action by either committee approving or disapproving such regulation or order, it may go into effect not earlier than the fifteenth day following, but not including, the date of the receipt of the draft of such proposed regulation or order by the chairman of such committees. Disapproval of such regulation or order by either committee shall suspend its issuance. *Provided*, That such disapproval of such regulation or rule shall be in writing and shall clearly set forth the reasons therefor.

“(b) For the purpose of this section the Committee on Banking and Currency of the Senate and the Committee on Banking and Currency of the House of Representatives are authorized to sit and act by duly appointed subcommittees during the recesses and adjourned periods of the Congress.”

No vote.

34. Secretary of Agriculture must approve regulations in writing (Andresen) (p. 4006):

“SEC. 3. Subsection (e) of section 3 of the Emergency Price Control Act of 1942, as amended, is amended to read as follows:

“(e) Notwithstanding any provision of this Act, no regulation, order, or directive shall be made or issued, or any other action taken (including directives establishing price schedules), with respect to any agricultural commodity, including livestock and milk or for any food product processed in whole or in substantial part from any agricultural commodity, including livestock and milk, by the Administrator without the prior written and voluntary approval of the Secretary of Agriculture, and no regulation, order, directive, or price schedule, heretofore made and issued by the Administrator, with respect to the products and commodities specified in this subsection, shall be valid or binding unless voluntarily approved in writing by the Secretary of Agriculture within ninety days after the enactment of this amendment; except that necessary action, authorized by law, may be taken to enforce compliance with any regulation, order, directive, price schedule, or other requirement with respect to an agricultural commodity which has been previously voluntarily approved in writing by the Secretary of Agriculture.”

Ayes, 79; noes, 143 (p. 4006).

35. Confine penalties to willful violations (Barrett) (p. 4006):

“SEC. 8. (a) Subsection (e) of section 205 of the Emergency Price Control Act of 1942, as amended, is amended by inserting the word ‘willfully’ before the word ‘violates’ in the first sentence of such subsection, and by striking out the proviso at the end of the second sentence of such subsection.

“(b) The amendments made by this section shall be applicable with respect to violations or alleged violations involved in proceedings pending on the date of enactment of this Act and in proceedings instituted thereafter.”

Rejected (p. 4008).

Mr. BACKMAN. The attack on the House price-control bill has been centered on three features: The “reasonable profit” amendment, the proposed standards of decontrol, and the curtailment of subsidies. While these amendments in their present form are highly inadequate, the objectives they seek to attain are desirable and necessary. In the following discussion I shall attempt to evaluate these amendments and to suggest the changes required to make them more effective

without scuttling OPA. At the same time there are pointed out several inconsistencies in the bill as it finally passed.

There is no consistency in the House bill concerning the termination date for price control. In the introductory section and in section 3, the termination date is designated as March 31, 1947. However, in section 4 of the bill a termination date of June 30, 1947, is referred to at three different points. The main advantage of a termination date of March 31, 1947, or of any date other than June 30, 1947, is to make it clear that Congress does not intend to renew the life of OPA automatically at the end of each fiscal year. Moreover, the Second War Powers Act expires March 31, 1947, and there is much to be said for a consideration of both of these measures at the same time, particularly in connection with the rationing and priority authority granted in the War Powers Act.

Section 2 contains the so-called "reasonable profit" amendment. Mr. Bowles has claimed that (a)—

It would be impossible to administer it because the necessary accounting data is unavailable.

(b) He also states that under this amendment—

The Government would be forced to raise ceilings on a large number of low-profit items which industries always made and sold long before the war along with high-profit items.

(c) He also warns that this amendment will lead to sharp price increases for—

such items as automobiles and household appliances which are only now getting into large-scale production and on which costs are necessarily far higher than they were a few months ago.

There is a great deal of validity to these criticisms. To some extent, however, they can be corrected by amending the present House proposal.

There are two alternatives. You can take the provision and amend it, or start afresh on it and come out with something a little less liberal but which does accomplish some of the objectives sought.

Thus, the answer to criticism (c) could be a proviso that for reconversion items prewar volume should be used in calculating unit overhead costs and extraordinary expenses incurred in reconversion should not be included in costs in order to eliminate so-called bulge costs.

The objection that the Government will be forced to raise prices on many low-profit items which industries always made and sold "long before the war" at low profit margins, could be met by defining a "reasonable profit" as the historic profit margin.

However, regardless of what changes were made in the law, it would be very difficult, if not impossible, to administer any such amendment because the necessary accounting data are not available.

I might say parenthetically that of course this absence of adequate accounting data is one reason why OPA has no way of knowing whether it permits a reasonable profit in connection with the production of many items. That is something that cuts both ways.

The proponents of the "reasonable profit" are concerned with the large number of items which are not produced at all or which are produced in inadequate amounts—low-priced textiles and house furnishings—because greater profits can be obtained by producing more profit-

able items. Under conditions of shortage, it is highly probable that part of the production which would be made possible by some such amendment, with the necessary protective features, will represent a diversion from high priced lines.

There is one other alternative. OPA Chief Paul Porter testified before the Senate Banking and Currency Committee—April 17, 1946—that the agency had adopted a “transition product standard” under which—

OPA will increase ceiling prices for any products when the ceilings fail to cover the industry's average total cost to make and sell the product.

Senator CAPEHART. That is the suggestion I made this morning.

Mr. BACKMAN. I may say that it is a more liberal standard. I do not know whether it has been incorporated in the regulation as yet. My recollection is that he said it was being incorporated. But he has announced the standard.

He announced that this standard was applicable to all except a limited number of products. This appears to be a less generous standard than called for by the House amendment which could be interpreted as applicable to the prices of each producer rather than an industry average. Perhaps a compromise proposal would be to liberalize OPA's transition product standard to include the industry's prewar profit margin. In calculating costs for the purpose of this section all current unit costs except those attributable to abnormally low volume and the cost of retooling should be included. Such a provision would not give cost-plus to every producer but it probably would cover the major proportion of the output. It would not be subject to the same criticisms as those now properly directed at the House bill.

Senator TAFT. Would you apply that to each major product?

Mr. BACKMAN. Yes. These are all product standards.

With reference to the decontrol provisions, the proposed standard for decontrol would eliminate price control whenever production for the past 12 months equals or exceeds the volume of production in the period from July 1, 1940, to June 30, 1941.

Many cost-of-living items would be removed from price control under this standard. It could easily have the effect of removing from price control the very items for which the best case for continued control can be made. However, OPA's reluctance in the past to adopt a realistic standard of decontrol makes necessary some mandatory provision to accomplish this objective. An alternative program I am proposing could include the following:

- (1) State a policy of eliminating control for all insignificant items.
- (2) Make decontrol mandatory for major items when two of the following, production (less exports), sales, or inventories, are 20 percent or 25 percent above the 1941 level.
- (3) Whenever two of these three indices are equal to 1941 adjusted for 5 percent increase in population, the Price Administrator shall report monthly to Congress why he has not decontrolled prices. In other words, make the 105 percent permissive, with the burden of proof upon the Price Administrator as to why he has not decontrolled, and the 120 percent or 125 percent relationship mandatory.
- (4) Provide automatic decontrol when prices are 5 percent below either the price on VJ-day or the present ceiling price, whichever is

higher, for 1 or 2 consecutive months. Where sharp seasonal price movements are typical, provide for decontrol when for 1 or 2 months, price is 5 percent below that in the previous year.

(5) Require the Administration to report to Congress by October 1, 1946, the plans it has formulated for decontrol as provided in the House bill.

The proposed decontrol amendments in the House bill failed to make any provision as to what should be done in connection with subsidies if a subsidized product becomes eligible for decontrol under the standards established. A new provision should be inserted providing that in any case where a price is decontrolled under the standards of this act, subsidy payments should be discontinued at once.

Obviously you would not want to subsidize an uncontrolled price, and it seems to me in any case where price control is taken off, the elimination of subsidies should be mandatory.

The House bill also provides that whenever the President determines that there is "an unsatisfied domestic demand" for a commodity or class of commodities which "has remained unsatisfied for a period of more than 60 days, he shall certify that fact in writing to the Price Administrator" who in turn "may reestablish * * * such maximum price or maximum prices" which "may be necessary to effectuate the purposes of this act."

These provisions would seem to be in conflict with the provision for decontrol when the 1940-41 level of production is attained. It is not impossible that such "unsatisfied demand" can be found for products for which production, however defined, is in excess of the 1940-41 or the 1941 level. Under such circumstances, the reimposition of price control would immediately make the product eligible once more for decontrol. This provision needs drastic revision in order to make it consistent with other provisions of the act.

It is provided that the Secretary of Agriculture shall determine "whether supply of the commodity is equal to the domestic consumption of such a commodity" as the basis for certification for the removal of price ceilings. Because of the abnormal demands for foreign relief, total domestic supply used alone is a poor guide for the purpose of this provision. It would be much more satisfactory if provision was made for the deduction of exports from that supply in the operation of this standard.

It is proposed that subsidies should end December 31, 1946. It would seem more appropriate if the termination date for subsidies were the same as that for price control. If the subsidies are extended to March 31, 1947, the amounts provided will have to be increased accordingly.

Although sharp reductions are made in food subsidies, no provision is made for a reduction in the subsidies on copper, lead, and zinc and petroleum and petroleum products. There is no reason why these subsidies should not also be included in the program. That is particularly so in light of the statement by Deputy Stabilization Administrator James F. Brownlee that—

From the viewpoint of stabilization, except as they (copper, lead, and zinc subsidies) refer to production, are, of course, not as important in the straight stabilization program as the other subsidies.

The provision under section 7 (a), for a 25-percent reduction in the rate of subsidy payments each 45 days, seems to be too rigid. It makes

no allowance for the difference in seasonal factors affecting different commodities. The House committee in its report on the price-control bill at pages 4 to 5 gives several convincing arguments as to why this type of provision is not the most effective way to decontrol subsidies.

Senator TAFT. The House takes the position that they will leave that for us. There is a provision in the McFarland amendment covering the matter.

Mr. BACKMAN. I am familiar with that amendment.

The CHAIRMAN. I understood you to say that you were opposed to any subsidy?

Mr. BACKMAN. No, sir.

The CHAIRMAN. Did you not say you were opposed to any subsidy for workmen?

Mr. BACKMAN. I said I was opposed to the use of subsidies to compensate for wage increases.

The CHAIRMAN. I think the Senate would disagree with you on that.

Mr. BACKMAN. I do not know. Of course that is what makes the world go round. We cannot always agree on these matters.

The CHAIRMAN. I have discovered that.

Mr. BACKMAN. We have an increase in the milk and butter subsidy scheduled as of July 1, and another increase scheduled as of October 1. We still permit price increases for eggs during the season of short supply. I do not understand why we cannot do it for milk. One way would be to increase the subsidy on July 1 for butter by 3 cents a pound and for milk by 10 to 20 cents a hundredweight.

Senator TOBEY. The milkmen are all clamoring to have it taken off.

Mr. BACKMAN. It seems to me that one way to do that, with the minimum amount of maladjustment, would be to permit a 3-cents-a-pound increase on butter on July 1, and then on October 1 permit the price to come up another 4 cents.

Senator TAFT. What occurred to me was that instead of trying to establish just the order in which to take subsidies off or give anybody money for subsidies, let the Price Administrator decide when and where he would take off this subsidy or that subsidy, and he would get rid of them all by a certain date, and he would not have enough money to continue them in full force until that date. He would have to begin to cut them down. Leave to him the right to fix the exact dates when the reductions take place, or perhaps remove all of one subsidy and continue another.

Mr. BACKMAN. I have a specific proposal on that, that the Administrator be given 50 percent as much for the first 6 months of the next fiscal year, and for the next 6 months, assuming that price control ended in March, he would have 25 percent as much as he got this year.

I think basically the difficulty is that Congress is faced with a virtually impossible task of writing standards in an area where it is practically impossible to write standards. As I may have said before, I think these are the least worse. I do not say, the best. There are going to be many inequities, whether you continue the price control act as it is, in which case I think you would have the most inequities, or whether you adopt an amendment of this type, or whether you take them off. There are going to be inequities no matter what happens.

Senator TAFT. Why is it not a good time to take off the flour subsidy at the same time they increase the price of wheat 30 cents a

bushel, if they do? If you are going to have to absorb 30 cents a bushel for wheat, you might as well absorb it at the same time.

Mr. BACKMAN. That would be a sound approach, and that gives you a better concept of liberality in price increases.

Senator MURDOCK. There never was such a shortage of lead in our country as there is today. The shortage of zinc and copper is not quite as bad as the shortage of lead. If you do not use subsidies to compensate for a rise in wages, what is the alternative?

Mr. BACKMAN. I think the alternative is an increase in price. I was not intending to suggest that subsidies be taken off and present prices be kept. I think they go together.

Senator MURDOCK. Regardless of costs of production, you would grant a rise straight across the board, rather than use subsidies?

Mr. BACKMAN. I do not pretend to know too much about copper, but I have a vague recollection concerning a grade 98 percent electrolytic copper, which is the same if produced by one company or another, and I would expect it to sell at the same price.

Senator MURDOCK. You have low cost producers and high cost producers. The question is, what is the best way to do it? Grant a price increase on copper which goes to the low cost producer the same as it does to the high cost producer, or to use a subsidy for the purpose of equalizing the disparity in costs of production? Of course that would be the theory of subsidies to begin with, that to allow too high a price is not the right thing, but that the use of subsidies would encourage production from marginal mines.

Mr. BACKMAN. I see nothing antisocial in a price increase if they were all entitled to that price increase.

Senator MURDOCK. So you are suggesting that subsidies be eliminated and price increases be granted?

Mr. BACKMAN. If today we cannot pay our way, I do not know under what conditions we are ever going to be able to pay our way. We have a situation of pockets bulging with money, and we are told that people cannot afford to buy these things unless they are subsidized. People spend less on these items and have more money to spend on other items. The answer is that we are giving things to people below cost in one segment of the economy and hence make it possible to bid up prices in other segments. I think price increases should take the place of subsidies. We are either going to get back to a free price economy one of these days or we are not.

Senator MURDOCK. I agree with you, but I am a little doubtful about whether right now is the time to grant a price rise. I am inclined to the view that if we do it more gradually there is less chance of runaway inflation.

Mr. BACKMAN. I was suggesting that it be extended for whatever the life of price control may be. I am not taking the position that these should be taken off today and that a compensating price increase should be put on tomorrow, but that it should taper off; and that the House amendment was rather rigid with that 45-day clause.

Senator MURDOCK. The subsidy program should be continued coextensively with the price program?

Mr. BACKMAN. Yes, sir.

If there are any further questions I shall be glad to try to answer them.

Senator TAFT. I certainly appreciate your statement very much, particularly on these amendments.

The CHAIRMAN. Most of the Senators are opposed to the House amendments.

Senator TAFT. Mr. Backman is, too, but he has made some very good suggestions.

The CHAIRMAN. Senator Millikin asked that an enforcement agent of OPA be here.

Senator TAFT. He told me that he thought we ought to have 1 more day on it. We have not covered the enforcement question. It is important. There are a number of proposed amendments to the enforcement provision which ought to be heard. I think we ought to have another meeting, Mr. Chairman.

Senator MURDOCK. I am inclined to agree to another meeting.

The CHAIRMAN. We will take a recess until 10 o'clock tomorrow morning.

(Whereupon, at 1:10 p. m., a recess was taken until tomorrow, Thursday, May 9, 1946, at 10 a. m.)

1946 EXTENSION OF THE EMERGENCY PRICE CONTROL AND STABILIZATION ACTS OF 1942, AS AMENDED

THURSDAY, MAY 9, 1946

UNITED STATES SENATE,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C.

The committee met at 10 a. m., pursuant to adjournment on yesterday, in room 301, Senate Office Building, Senator Robert F. Wagner (chairman) presiding.

Present: Senators Wagner (chairman), Bankhead, Murdock, Tobey, Capper, Buck, Millikin, and Hickenlooper.

Present also: Senator Moore.

The CHAIRMAN. The committee will come to order.

Mr. Moncharsh, you are Deputy Administrator in Charge of Enforcement of OPA?

Mr. MONCHARSH. Yes.

The CHAIRMAN. We would like to hear from you. Will you proceed?

STATEMENT OF GEORGE MONCHARSH, DEPUTY ADMINISTRATOR IN CHARGE OF ENFORCEMENT, OFFICE OF PRICE ADMINISTRATION, WASHINGTON, D. C.—Recalled

Mr. MONCHARSH. My name is George Moncharsh. I am Deputy Administrator for Enforcement. If I might, I would like to present very briefly the broad aspects of the enforcement problem and then attempt to answer whatever questions may be put.

With respect to the enforcement of the regulations of the Office of Price Administration, now primarily price and rents, and what is left of rationing, which is sugar, the entire responsibility is in Office of Price Administration with the one exception that in criminal cases the completed cases are referred to the Department of Justice for handling by the United States attorneys.

Other than in criminal cases, the investigation and the handling of the cases in court is within the agency.

As has been very frequently said by the Administrator, we have always been confronted with the problem of handling millions of transactions that have occurred which are under price control with an investigative staff which has for some time averaged approximately one investigator per county of the United States.

Now, accepting that as a basic problem, we realized that the only way we could possibly be effective was to attempt to program our activities in a way that we would not find ourselves running after sporadic complaints, dissipating what manpower we had, in a type

of complaint that very often would appear to be fruitless upon investigation.

We also recognized that very often the key to a state of noncompliance was not necessarily the volume of complaints, but that it required actual checking to determine what was going on.

We have now, for well over 3 years, worked on a basic policy of attempting to program our investigations and determine the state of compliance and to apply the type of remedy which is appropriate for the particular violation.

Now at this point I have noted from correspondence from time to time that the enforcement people have been criticized for some concept of quota or statistics, and I want to say it is absolutely contrary to our policy, we take no pride in the number of lawsuits we file, or the number of investigations we make. We use those figures solely workload measurement, but we are interested primarily in the quality of the work that is done and the use of the evidence properly in court to achieve the proper result.

In the programming of our investigations we are confronted with the fact more now than ever during the war, that there are more forces at work against successful operation of enforcement than there were during the war. What one might consider to be the patriotic motive is pretty much dissipated. We stand very much alone on a very objective basis in the handling of violations. Public indifference in many spheres is very notable as is revealed in newspapers and magazines. We must work in that particular environment, with the manpower we have and with the terrific loss of patriotic motive.

We have found also that attorneys who oppose us are much more inclined—I don't criticize them—but are much more inclined to engage in delaying tactics in court, in the hope that a day may come when there would be a change in the basic statute or a change in the regulation or a form of decontrol, so that in the long run delay would move in their favor.

Each of those situations means a lessening of the effectiveness of our activity.

In order to meet that we have had to take two positions, first to become even more selective, to withdraw from fields literally where, although violations may exist, in our best judgment they are not nearly as important areas in terms of commodities or activities as are other areas; second, we have had to meet delaying tactics with more vigorous tactics to attempt to impress upon the courts the need for speed; because unlike other agencies that have no statutes of limitation we have only a 1-year statute and we must move quickly or our claim is outlawed.

A black market in a particular area may be of 30 or 60 days' duration and unless we act quickly it has no value 6 months later—the damage is done.

I would not for a moment claim tremendous success, although on the over-all I think it might be helpful to give a picture of what this activity has meant in the amount of violations that have been handled.

In 1945, for example, our investigators in the entire field have completed over 193,000 investigations. That is through the use of approximately 3,000 investigators. Out of those 193,000 investigations approximately 140,000 of those investigations revealed violations.

That is an extremely high percentage of violations revealed on investigation.

When I speak of violations I do not speak of individual items; I mean people who are in violation.

With approximately 140,000 people in violation in 1945, that is a number far beyond our capacity as lawyers to handle. Therefore—we do not even dream of converting every one of those violations into a court case.

Senator BUCK. What percentage of the violations do you think that covers?

Mr. MONCHARSH. That is pretty difficult to answer. I would have to know—

Senator BUCK. You don't think you got them all, do you?

Mr. MONCHARSH. Oh, no; by no means. 193,000 investigations is the capacity of the investigators to investigate. Obviously, the investigators did not investigate every firm in the United States, by any means. For example, I might give this as an illustration: We have one unit in our enforcement in the field called a retail food unit. It handles food at the retail level and the number of investigators represents one investigator for the entire field of retail food stores, restaurants and groceries, one for every 10 counties of the United States. Obviously, one man—on the average one for every 10 counties—cannot possibly investigate every retail food store.

Senator BUCK. Those 3,000 investigators you do have represent about one for each county?

Mr. MONCHARSH. That is correct.

Senator BUCK. Is that the way they are located?

Mr. MONCHARSH. Not precisely. There would be a much greater concentration in the areas of great population because we find there that the pressures become greater; the percentage of violations becomes greater. There are some counties in that ratio that have no investigators at all.

In this tremendous number of violations found for the year 1945, court proceedings were instituted in the Federal and State courts in approximately 59,000 cases. Which means, then, that from the litigation side, from the lawyer's side of this operation, 59,000 cases are their inventory with which to work, that have to be negotiated or fought in court. The 59,000 cases have caused us much concern. We recognize that the day will come that the Office of Price Administration will go out of existence, and that the Government has a duty not to permit those cases, many of which are of a very serious nature, to lie fallow, to be dismissed solely because of the inability of the Government to complete them.

We have instituted a very definite procedure to keep our cases current and with just a few exceptions, and I mean very few, at the last check I made it was less than 200 cases. I can say now there are less than 200 cases pending in the courts of the United States, OPA cases, that were filed prior to the year 1945.

The rest of this tremendous number are 1945 or 1946 cases. We also recognize a duty to the courts to keep these cases moving rather than to backlog their dockets. We have attempted wherever possible to use a high degree of selectivity before bringing these cases into court, as distinguished from closing the case out as being trivial—closing them out with a warning.

I think a fair indication of the measure of our selectivity is that for the past 3 years the history of our handling litigation in the courts of the United States has indicated we have won in the civil cases slightly more than 95 percent of all of our cases, and in the criminal cases slightly less than 95 percent.

Now, on the specific commodity activities we feel at this time that there are certain fields which are of major importance and on which we must concentrate our activity. There are others that are important, but in terms of relative importance we just cannot do things that are beyond our physical ability. We recognize, for example, the seriousness of the meat situation. We in Enforcement recognize that continuing through the fall of last year, even though the supply of meat was increased last year, as some of you may recall the Congress appropriated additional money for investigators for meat—that was about the spring of 1945—we were able to get into operation somewhere around May or June with the largest staff of meat investigators we had had in our history.

At that time the activity in meat investigations, and I am speaking of preretail meat, particularly in the slaughtering and wholesale operations throughout the United States, had increased 15-fold over the year before. We were not able to retain all of that manpower. So that by the time we came into December 1945 and January 1946 we were down again to what might be called our normal level of manpower and confronted with the identical situation which we had the year before, and worse. We no longer had rationing to restrict the demand. We no longer had the war to be used as a patriotic impetus for people to remain in compliance and the situation was not too good. We struggled from January on to meet this situation and urged successfully that some method be used by the Government to restrict the demand in the form of channeling some of this meat so that those packers who were trying in good faith to comply with the slaughtering regulations and so on would have more protection in terms of supply of meat.

From January to April, inclusive, a lesser number of investigators working in the preretail level has completed in terms of sanctions of one form or another an average of 500 preretail meat cases a month, or a little over 2,000 for those 4 months.

I know a great many of these men personally out in the field. They are working at a rate that is almost beyond physical endurance. They are doing it and they will continue to do it. We have a feeling in the meat situation there are some indications of softening in the picture, but I have seen too often a softening one day and a tightening up the next day, so that we don't think we ought to make any predictions.

Senator HICKENLOOPER. What do you mean by a softening?

Mr. MONCHARSH. A softening of the purchase price at the slaughter level and a slight increase in the amount of meat or live cattle going into the federally inspected plants.

Mr. PORTER. There was a 12-percent increase last week.

Senator HICKENLOOPER. I think there is some dispute on those figures.

Mr. PORTER. Those are Agriculture figures.

Mr. MONCHARSH. Nevertheless, we don't take those figures, comforting as they may be, as any indication we should slacken in our effort. Our desire is to keep going.

Senator HICKENLOOPER. I just want to object to your statement that the figures are comforting, but I will go into that after a while.

Mr. MONCHARSH. Another field of major importance on a long-range basis—of very major importance right now—is building materials. During the war, when there was very little civilian construction, most of the work was being done for war purposes and the problem was not so acute in terms of enforcement. Today, I would say it is the major problem, the enforcement of the regulations, and within that field the top problem is lumber, southern pine, and northwestern lumber. In order to meet that problem we have been able to increase our staff and have assigned a substantial number of our special agents to go into that field. I will describe those in a moment.

We have made an internal reorganization within our agency in enforcement to tighten up the supervisory levels. Our program there calls for a check of the flow of lumber from the producing areas through the retail distribution yards or the contractors, in order to ascertain whether those people who appear to be getting much more lumber than others are complying with the regulations and in order to establish better distribution.

Senator TOBEY. Are you familiar with the lumber regulations?

Mr. MONCHARSH. To a certain extent.

Senator TOBEY. I had a letter this morning from a veteran up in the State of New Hampshire who had done his own logging in order to get material to build himself a house, but it seems that because of OPA restrictions he could not fabricate those logs into boards in order to build his house. He is a veteran and he wants a home. Now, the OPA will not permit him to fabricate the lumber, according to his statement. Is that true?

Mr. MONCHARSH. I am not familiar with that.

Senator TOBEY. Who would know in your organization?

Mr. MONCHARSH. I would say somebody in the price department.

Mr. PORTER. Mr. Holder would be able to answer that.

Senator TOBEY. He could give me an answer right back?

Mr. PORTER. Yes, sir.

Senator TOBEY. He is in the lumber division?

Mr. PORTER. The building material division.

Senator TOBEY. Thank you very much.

Mr. MONCHARSH. Another problem which has been with us for a long time has been textiles. We have had very serious problems involving the fact that many manufacturers complained they could not buy piece goods without being required to pay cash on the side. The regulations at the manufacturing level are necessarily complicated and unless we could apprehend violations which occurred at the time a jobber or converter was selling piece goods to the manufacturer that increased price would flow through the formula and be very difficult to apprehend.

We got into that program with intensity in the fall of last year. We put on special agents, and a special grand jury through the cooperation of the Department of Justice was called on December 8 of last year in New York, and is still in session, since December 8, with some very minor vacations—I think Christmas was one—is still in session and is still hearing the cases that we have presented, involving transactions in Boston, New York, and some places in the South, but gen-

erally concentrating ultimately in the New York area, which, as you know, is the central point of major manufacture of apparel. Those are big cases and they were hard work and they are there before the grand jury. It is up to the grand jury what is to be done. Several indictments have already been issued, one involving transactions between Boston and New York came out, I believe in December, involving millions of yards of goods which had been procured by violation on the then WPB priorities and from that point by over-ceiling sales.

Senator TOBEY. Are you referring to the Monroe-Kaplan case as one of them?

Mr. MONCHARSH. No, the Monroe-Kaplan case was a little offshoot of the situation. This was a case involving a man by the name of Shulman—I think that was the name—I will check on it—in Boston, and some four or five runners of his, they call them. This man Shulman had acquired his goods in New York, had had them shipped to his place in Boston, and then had them reshipped to a building next door to his own in New York, a very odd bit of freight traffic.

Senator TOBEY. Have you as enforcement head of OPA complained that your agency and you personally in carrying out your job have been handicapped by the Congress in giving you insufficient funds to implement adequate enforcement?

Mr. MONCHARSH. I am not going that far, Senator.

Senator TOBEY. Then you have had all the help you needed?

Mr. MONCHARSH. No.

Senator TOBEY. Well, how would you put it?

Mr. MONCHARSH. I would put it this way: I think there has been a general lack of appreciation of the enormity of the OPA enforcement job. I don't feel it would be fair to say that Congress has not given us enough.

Senator BANKHEAD. They have given you all you have asked for, have they not?

Mr. MONCHARSH. Not quite.

Senator BANKHEAD. When did they not?

Mr. MONCHARSH. For example, last year we requested an increase for enforcement and the House Appropriations Committee in its report said we could have the increase, but it would have to be taken out of the funds of the agency.

Senator BANKHEAD. That was adjusted otherwise, though, was it not, and you got what you asked for, did you not?

Mr. MONCHARSH. No.

Senator BANKHEAD. How much did they cut it?

Mr. MONCHARSH. I don't have the figure. I think it would be somewhere between a million and 2 million. I would have to check that figure. Another thing which should be said, in all fairness to all persons who made judgments on these things, is that now more than ever the job is even more difficult. I have seen lawyer after lawyer, both here and in my home town, who 2 years ago would have considered it unpatriotic to delay these cases. He would certainly have fought on behalf of his client, but he would not have resorted to the dilatory tactics that make our job so difficult. But today he does not feel the patriotic motive is involved. It is purely a plain legal case. The public attitude in terms of "Well, I can get by with it" is much greater than it was during the war. The unrestricted demand caused by the absence of rationing has made the job very much more difficult. The

removal of many of the allocation orders—I refer particularly to the grain situation—has made this task difficult.

Now, I don't want to sound a note of defeat. I don't think that would be accurate. I think the figures themselves show we are not sitting by helplessly.

Now, with respect to some other fields of activity, we regard the grain and the corn situation as being one of our major problems. If you don't mind I cannot go into too much detail at this moment because there are some investigations pending in the Middle West and I would rather not refer to names, but I will say that some of those cases will shortly be ready that go to the heart of the black market in the grain situation.

They embrace conspiracies involving people who sold, who purchased, who resold, and manufacturers—

Senator TOBEY. The purpose is to give the public the whole truth?

Mr. MONCHARSH. Yes.

Senator TOBEY. Pitiless publicity will help, will it not?

Mr. MONCHARSH. We believe that. I do not want to refer to those cases, because they are still under investigation, and we would not like to preempt the United States attorney in his announcement of the indictments.

Senator MILLIKIN. Will you indict those who brought that condition about?

Mr. MONCHARSH. Yes.

Senator MILLIKIN. And you will indict those members of the OPA who have snarled up the whole business?

Mr. MONCHARSH. I do not think that is a fair question.

Senator MILLIKIN. I think it is entirely a fair question.

Mr. MONCHARSH. My job is to go after those who violate the law.

Senator MILLIKIN. And there is no criminal charge as to stupidity, in other words?

Senator TOBEY. I suppose the fairest statement that we can make is that the OPA consists of human beings, with human frailties, even as members of the United States Senate; but in a larger sense OPA has done a good job for the American people and has saved the taxpayers millions of dollars.

Senator MILLIKIN. The cattle feeder and the great bulk of the American people are good, decent people, too.

Senator TOBEY. I agree to that.

Mr. MONCHARSH. Another field is the used-automobile field. In the used-automobile field, historically the great percentage of used-car transactions before the war were what we call individual-to-individual transactions. A man sells his own car to another man. It has never been our purpose, nor do I think it right, to attempt to change that basic economic picture, to force the larger percentage of business to get into a new category of dealer to individual. That is not our business. Nevertheless, when we find that the historic and substantial part of the transactions is from individual to individual, the Enforcement Division cannot go running after each individual automobile transaction, where John Smith sells to John Brown. We have therefore had to leave that responsibility to the local price-control boards, to attempt to determine whether a violation occurred and to adjust the matter between the seller and the purchaser. Our basic job is primarily in those transactions which are of great mag-

nitude in disturbing the entire economic picture in the used-automobile field.

About 2 weeks ago the newspapers of the United States published a story of the indictment of some 31 people who were involved in a used-car conspiracy, which we think can be called a black market, which centered around Cairo, the entire State of Kentucky, Detroit, Mich., and Springfield, Ill., in terms of the picking up of cars throughout that area at over-ceiling prices and the redistribution of the cars practically all over the United States. It was a tremendous conspiracy. It took us 4 months to investigate the case, running all over the United States to get our statements and our evidence. Finally the case was presented for indictment in Detroit, and I understand that it will go to trial within a month.

We are working on similar cases in the used-car field to try to break up what we consider to be the core of the thing.

Senator MILLIKIN. Have you broken it up?

Mr. MONCHARSH. No; and we cannot achieve complete success. It is a very intangible thing. We will never be satisfied we have broken anything up, because the next day something happens that will make you feel foolish.

I might say that our ability to break that one is very satisfying to us. It shows us the competency of our people to get the evidence and to be able to take the heart out of a chain of activity that involved hundreds of thousands of automobiles ultimately ending up at over-ceiling prices in whose hands? Generally, veterans who came back in need of cars.

Senator HICKENLOOPER. How many enforcement officers and investigators, in your opinion, would OPA have to have to completely control and break the black market at all levels in the United States in all phases of our economy? You have between 3,000 and 4,000, have you not?

Mr. MONCHARSH. We have approximately 3,000 investigators.

Senator HICKENLOOPER. And lawyers?

Mr. MONCHARSH. The total figure, including attorneys and clericals, is around 5,000.

Senator HICKENLOOPER. My question was, How many do you think you would have to have in order to make a reasonably complete job of control of all the black-market activities and suppress them in the country in all phases of the economy as you think the black market exists?

Mr. MONCHARSH. So that we have the same term in mind; by "black market" we mean generally wilful violators as distinguished from unintentional violators.

Senator HICKENLOOPER. You are prosecuting people today without much regard to whether or not they are willful violators.

Mr. MONCHARSH. That is not so.

Senator HICKENLOOPER. It is completely so. I have facts on that.

Mr. MONCHARSH. Senator, that is not so. First of all, you use the word "prosecute," which in general has reference to criminal cases.

Senator HICKENLOOPER. No; you can prosecute a civil suit also.

Mr. MONCHARSH. With respect to civil cases, we do not file civil cases against all violations. We have cases where there is a violation, where the amount involved is trivial and it is not worth the Government's time in any respect to proceed.

Senator HICKENLOOPER. You have proceeded with criminal cases in 1- and 2-cent violations in our State.

Mr. MONCHARSH. If it involves a bottle of milk at a retail grocery store and indicates a course of conduct where it can fairly be shown that it is more than an isolated transaction on a Monday or Tuesday, we regard it as very serious. In terms of black markets in the dramatic sense, where we have black-marketers or people who conspire to deal in large quantities of goods, motorcars, or food, I would say that it would require for complete success about twice the amount of manpower we have today.

Senator HICKENLOOPER. I am not talking about that; I am talking about all levels of our economy, the retail level, the black-market operator, the wholesale level, the manufacturer, the producer level—at all levels involving the chiseling of the public in prices; what kind of a force would you have to have, both legal and investigational, to take entire control of the situation? And when I say that, I realize, of course, that we have murder under partial control in this country, but murders still occur, and I know there would be occasional lapses; but I mean, so that you could say you had broken the black market and driven it substantially out of the American economy.

Mr. MONCHARSH. I still say when you refer to the chiseler, opinions will differ, Senator.

Senator HICKENLOOPER. Let us leave out the chiseler, and let us talk about breaking the overcharge blackmarketeer, whether he is a dealer or whatever term you want to use.

Mr. MONCHARSH. The number of men that would be needed effectively to stamp that out would be so large that I could not recommend to my Administrator or say that we would want the Government to supply the money for that many men.

Senator HICKENLOOPER. That means you cannot take control of the black market.

Mr. MONCHARSH. That is not so. We have all kinds of laws in this country where the Government quite rightly recognizes that if the moral sense of the particular individual will not keep him from violation, it does not mean that you quadruple or quintuple your enforcement staff in order to meet that situation. I have never heard of any Government agency insisting that it has to have a hundred thousand policemen in a fair-sized city simply because some people may violate some ordinance. There has to be a sense of discretion in the matter. While you might find here and there some man who will chisel in a minor sense, if not violate the law, it may not have any great seriousness in terms of the economy; it is not the kind of matter as to which the Government would put hundreds of thousands of men to work to apprehend.

Senator HICKENLOOPER. You investigated 193,000 cases in 1945. How many cases would you think you should investigate in order to get an adequate and proper survey?

Mr. MONCHARSH. I would say about twice as many.

Senator MILLIKIN. Ten thousand investigators?

Mr. MONCHARSH. We have approximately 3,000. I am speaking of the investigators.

Senator HICKENLOOPER. He had about 200,000 investigations last year, and I asked him how many investigators, in his opinion, he should have, and he said about double.

Senator MILLIKIN. Would it not take twice as many enforcement officers?

Mr. MONCHARSH. Twice as many investigators, which would be 6,000. It would not be the same proportion of clericals and attorneys.

Senator HICKENLOOPER. You think, then, that, roughly, with 6,000 investigators and maybe 50 percent more attorneys and clerical help, this job could be satisfactorily done?

Mr. MONCHARSH. I most certainly do.

Senator MILLIKIN. Do you contemplate prosecuting the citizen who accepts the goods as well as the black-market operator?

Mr. MONCHARSH. If we have evidence to indicate that at the time he received the goods and knew or very clearly should have known that he was participating in a black-market transaction; yes.

Senator MILLIKIN. How many citizens of that kind have you prosecuted?

Mr. MONCHARSH. In the textile field, quite a number. I do not have the figure right at hand.

Senator MILLIKIN. You mean, if a lady goes to a store and knowingly pays more than the ceiling price for a pair of kid's socks?

Mr. MONCHARSH. No, sir.

Senator MILLIKIN. Do you prosecute that kind of a case?

Mr. MONCHARSH. No. At the retail level, where you are dealing with a consumer, there is no opportunity for enforcement to proceed against the consumer.

Senator MILLIKIN. Is not the recipient equally guilty with the seller where there is an equality of knowledge and willfulness?

Mr. MONCHARSH. Not under the regulations. I am speaking of the retail level.

Senator MILLIKIN. Under the law?

Mr. MONCHARSH. That is right.

Senator MILLIKIN. So you have taken upon yourselves the power, by your regulations, to exclude a class of people who are equally guilty?

Mr. MONCHARSH. No. The point that I make is that our action against buyers who know that they are buying over the ceiling is at levels higher than the consumer level.

Senator MILLIKIN. Does the law authorize you to draw that distinction?

Mr. MONCHARSH. Yes. The Emergency Price Control Act says that it shall be unlawful for any person to sell or deliver or to buy any commodity—there is no restriction there—in the course of trade or business. The consumer is not in the course of trade or business.

Senator MILLIKIN. If a consumer goes into a grocery store and makes a trade for some grocery item, he is not engaged in a business transaction?

Mr. MONCHARSH. If the item is being bought for personal consumption; no.

Senator MILLIKIN. What is the business of a grocer?

Mr. MONCHARSH. The consumer I am talking about.

Senator MILLIKIN. What is the business of a groceryman?

Mr. MONCHARSH. Selling.

Senator MILLIKIN. In order to make a sale there have to be two parties, a buyer and a seller?

Mr. MONCHARSH. Yes.

Senator MILLIKIN. That is a business transaction, is it not?

Mr. MONCHARSH. Yes.

Senator MILLIKIN. There is no business transaction in a vacuum. You have to have two people, a seller and a buyer; and you have carved out an exemption for the buyer.

Mr. MONCHARSH. No, sir. The act says that it is unlawful to sell or deliver or to buy, in the course of trade or business, and so forth.

Senator MILLIKIN. Do you recommend that we implement the act, if it requires implementation, so that you may bring criminal prosecutions against buyers?

Mr. MONCHARSH. I would want to think on that.

Senator MILLIKIN. I should think that you would.

The CHAIRMAN. And you, too.

Senator MILLIKIN. How can you break the black market if you do not get the buyer as well as the seller?

Mr. MONCHARSH. We can get the buyer higher than the consumer level.

Senator MILLIKIN. I am talking about the consumer. These pressures are consumer pressures. How are you going to break the black market if you do not break that consumer pressure?

Mr. MONCHARSH. It makes the job more difficult.

Senator MILLIKIN. How are you going to control the black market on the prosecution side if you do not prosecute the receiver as well as the seller?

Mr. MONCHARSH. I think there would be a number of considerations which might impel Congress not to want to amend that particular provision to make it unlawful for the buyer to buy.

Senator MILLIKIN. Of course there would be. There is not a chance in God's world of putting that into the law. But you do not come forward and recommend the plugging of that gap which, until it is plugged, deprives you of enforcement?

Mr. MONCHARSH. No; I do not say it deprives us of enforcement.

Senator MILLIKIN. You are laying a crime on the American people, but you are not willing to punish the American people.

Senator TOBEY. We have before us today a bill providing for extending the life of OPA, according to the wisdom of Congress, and we are working on that now. We are all besieged with letters in great number attacking OPA for restrictions on commodities, and so forth. It is perfectly understandable why the people would rise up and condemn Congress and the OPA. We have in this country a law passed by the Congress and signed by the President, and it is the law of the land, enacted to save this Nation, as far as possible, through human agencies, from the dangers of inflation. The OPA has made a lot of absurd rulings—I will put it that way, in a kindly spirit—a lot of incongruities and abnormalities in administration. But it has tried to do a good job. We have a state of mind, according to the comments of my friend on my right, impelling people to patronize black markets. It takes two to make a black market. What is lacking in this matter is a moral fiber on the part of the American people to be outraged at those men and agencies who make the paltry and dirty dollar crucify the law and bring stigma upon the administration.

Mr. MONCHARSH. That is right.

Senator TOBEY. And until we get in the American people a moral fiber developed that will rise up and say, "Unclean, unclean," we are not going to have much success. Is not that true?

Mr. MONCHARSH. Yes.

Senator TOBEY. So, we should not condemn an agency such as the OPA, because it is a part of the whole United States; and the people as a whole do not see that we are trying to save this Nation. I did not mean to speak this way, but I feel this way. In the black-market operation it does take two; and there is a woeful lack of an honorable sense on the part of the American people to refuse to hold up the hands of the people who are trying to enforce the law.

Senator MILLIKIN. I would like to suggest that the Senator has a very fine ethical argument. I would like to suggest, also, that it is the duty of the lawmaker never to make a law that exceeds the possibility of enforcement, because if you do, you have no law. I would like to suggest, also, that we cannot run this country, with all of the human frailties which the Senator admits exist, on a puritanical basis. We have got to take human nature as it is, and we have got to be very careful not to put indictments against the whole people. No one has ever succeeded in doing that, and I hope to God that no one ever will succeed in doing that.

Mr. MONCHARSH. Mr. Chairman, on one particular point: During the days of gasoline rationing we were confronted with a very serious problem of counterfeiting. Our whole gasoline-rationing system almost broke down because there were more alleged coupons out than there was gasoline to supply. We then set up a staff of special agents who were especially trained, and we were assisted particularly by the Secret Service and the Alcohol Tax Unit in techniques. As a result of that, we apprehended a great many counterfeiters. We found we had available to us a small but very effective staff to be used on price work, to get at the type of violation that often bothers us, where people say, "I comply, but you are not after the fellow who does not even keep records, who is completely underground, whom you have got to get by most intensive investigations."

That group, which is called our Division of Special Investigation, a highly mobile, centralized group, operating throughout the United States, is now well into price work. They completed the used-car case that I referred to, in Detroit. They have completed some lumber cases which are about to go to indictment. They worked on the big textile cases along with our regular investigators, and we expect, with all confidence, that within the next 3 or 4 months you will see in the newspapers repeated reports of large black-market cases broken, of the type where you just do not get them by asking to look at a man's books, where you have to go very deep in order to apprehend those violators. One of those cases is an extremely important corn case which will break in the Middle West, I hope, within the next 40 days.

On rent, I understand that some point was made yesterday by Mr. Backman.

The CHAIRMAN. Yes. I was going to ask you about that.

Mr. MONCHARSH. We have communicated with Mr. Backman this morning. I do not have a report on it. I am sure he will cooperate with us so that we may interview the veterans referred to.

The CHAIRMAN. He said that it was not his business to cooperate.

Mr. MONCHARSH. We just do not agree. We think it is everybody's business. I am sure that on reflection Mr. Backman will at least let us interview the veterans and let them judge for themselves whether

or not they want assistance. I am sure that will happen and we will run this thing down.

On the whole picture in New York, on the so-called bonus racket in rent, the bonus racket is usually one where people do not say, "I want a bonus." Once in a while they make a mistake by advertising it in the newspaper, but they are usually not that cooperative with us. Most of them are pretty much on the quiet.

In the last 90 days our New York office received information from outside on some 25 bonuses or furniture tie-in cases that were reported to them. We analyzed those 25 cases, and of the 25, on investigation, we found 2 were of a type where, while there was clearly a violation, we were not satisfied that it was a criminal violation. They involved people who are not professionally landlords, and there was some dispute as to what the furniture tie-in arrangement was. Nevertheless, they were serious violations, and in each case the landlord paid full three times the amount of the bonus received.

Four of those cases are still under investigation. Of the remaining 19 that have been proceeded against criminally, 13 have gone to trial, and out of those we won 10, which resulted in seven jail sentences and a \$100 fine, and in three just a \$100 fine.

In the bonus case, particularly as involving veterans, we are making arrangements with the veterans' organizations so that they can tell their members that if they have received offers of apartments for bonus arrangements or furniture tie-ins, if they will come to us we will follow through on it.

Senator HICKENLOOPER. Let me ask you a question right there. As to these people who take bonuses for renting an apartment, or sell furniture at an exorbitant price and chisel on these people, if there is a side-money transaction, and it is just between two people, you have an almost impossible job to convict, do you not? If one man says, "I paid \$500 for this apartment to rent it," and the other fellow says, "Well, I never received it," or "You didn't do any such thing," you cannot prosecute on that kind of evidence. You have got to have some proof.

Mr. MONCHARSH. We get more proof.

Senator HICKENLOOPER. But there are many of those cases where you cannot get proof; is not that true?

Mr. MONCHARSH. That is true in connection with all types of violations; but it is not as bad as that.

Senator HICKENLOOPER. You have got proof in the case of the groceryman who has his stuff marked up; there is no question about that. But on this rent situation, I do not know how you can enforce the rent ceilings in certain areas where they have gone into this chiseling business.

Mr. MONCHARSH. If a man is a landlord of an apartment house and has gone into one bonus deal or side-money deal with a tenant, he very generally makes the mistake of liking it enough to try it again.

Senator HICKENLOOPER. Is it not a practical fact that for every one that you can prove, there are probably a hundred that you cannot get evidence on?

Mr. MONCHARSH. I do not know what the statistics would be.

Senator HICKENLOOPER. I use that figure relatively, of course; but it must be an alarming number.

Mr. MONCHARSH. I do not know.

Senator HICKENLOOPER. Do you not have hundreds of complaints in the congested areas, where some fellow will say, "I have been chiseled; I had to pay \$100 or \$200," and you find that you cannot get any evidence? It is just one man's word against the other.

Mr. MONCHARSH. Yes; but we have a device to take care of that situation, which is part of our area rent office, where the landlord is called in, or a letter is sent to him, saying, "This is the information we have, and we would like to hear what you have to say about it." Very often on an informal basis the landlord can make a judgment. He knows what the facts are, and he can make a judgment on the facts. He knows whether he probably could win in a criminal case, but he would rather settle with his tenant and adjust the matter between themselves. It is sort of a conciliation service in the area rent office, and a great many of those cases are handled in that way. Whether the landlord thinks, "Well, I am lucky, because they might have proof in a criminal case, or "I am not lucky," I do not know. Nobody knows that. But thousands of those cases are handled through the area rent office, and, I think, quite rightly, because the landlord and tenant relation often goes into a great many complications, the reduction of service, and many other things. In the run-of-the-mill type of rent violation it is possible to try to get them to adjust it between themselves, with the OPA standing as a sort of guiding hand in the thing.

Senator BUCK. If the landlord did not receive the bonus, and the money was paid to the superintendent or the janitor, you cannot prosecute them; can you?

Mr. MONCHARSH. No. If we cannot tie in the landlord, we cannot prosecute him. We have had several cases, some of which we were successful in tying him in, and in others we were not. In a continuity of transactions very often we have found that where it was clear we had a case on the superintendent he made up his own mind that he was not going to suffer the consequences when he knew he did not even get the money.

Senator BUCK. I mean, where the landlord did not profit by it.

Mr. MONCHARSH. Then it would certainly not be a criminal case against the landlord. If the landlord did not get the money, I doubt very much if it is a civil case. We cannot go after people who themselves did not violate the law.

Senator BUCK. A fee is often paid to a person like that who knows that an apartment is going to be vacated.

Mr. MONCHARSH. We have run into all variations of that in rents, and sometimes there was evidence that the owner knew nothing about it. The same is true in a hotel situation, with a bellhop. It often happens that the manager neither authorized it nor knew about it.

Senator MILLIKIN. What are the areas where the greatest black markets exist?

Mr. MONCHARSH. It depends on the commodities.

Senator MILLIKIN. That is what I am talking about—what commodities?

Mr. MONCHARSH. Textile centers, in New York, particularly New York City, and a fringe around Philadelphia and Boston, and to a lesser degree as you move toward Chicago.

Meat, in terms of live cattle, you can just take the central part of the United States from the North down to the South. It spreads all over.

Senator MILLIKIN. The meat black market does not stop at the live cattle level.

Mr. MONCHARSH. Meat, as it flows out from the areas of purchase of live cattle, is intensified in areas like New York City. It becomes intensified at times in Washington, D. C., and in those areas which are either areas of congested population or economically short in terms of distribution.

Senator MILLIKIN. You are speaking of the finished product?

Mr. MONCHARSH. Yes.

Senator MILLIKIN. Go ahead.

Mr. MONCHARSH. On lumber the basic problem in the southern pine lumber is in what we call the Atlanta region, which is that part of the United States from Virginia down to the Gulf, over to the Mississippi River from the Atlantic, also the western portion of Texas, and up in the Northwest, in Seattle, and portions of Oregon, and somewhat up in the Northeast. That is where the black market starts in lumber, and that is where we must investigate.

Senator MILLIKIN. Are you speaking of lumber or lumber products?

Mr. MONCHARSH. Primarily milled lumber. If we do not break the black market there we cannot break it below.

Senator MILLIKIN. Doors, window frames, sash, shingles?

Mr. MONCHARSH. That is bad, but not nearly as serious as the earlier level.

Senator MILLIKIN. What others?

Mr. MONCHARSH. Grain, in the North and Middle Western part of the United States.

Senator HICKENLOOPER. The Government has just recognized the black market by this 30-cent bonus, has it not?

Mr. MONCHARSH. I have heard that said. I am not too familiar with it.

Senator HICKENLOOPER. Was not that about the black market level, the 30-cent bonus over ceilings?

Mr. MONCHARSH. I do not know. You are more familiar with that than I. It was always customary, in the handling of grain, that a man who wanted to buy poultry and had grain, would work out his distribution in both directions. That barter, which before the war may have been considered relatively small is now major, and not necessarily a violation.

Senator HICKENLOOPER. The eastern seaboard has the idea that we are still in the barter stage in the Middle West.

Mr. MONCHARSH. I do not think there is anything wrong with it. I think it is quite understandable for such arrangements to be made. However, the extension of the barter transaction, which in itself was not illegal, is one of those cases that we are investigating, where a large company agreed to buy a substantial amount of grain at the ceiling price and rent some elevators in which the grain was located for 2 years, at rentals which were clearly exorbitant. That is not barter. It is illegal.

Senator HICKENLOOPER. You can rent corncribs on farms in the same way.

Senator MILLIKIN. How about butter?

Mr. MONCHARSH. There is so little butter in existence that you reach a point of scarcity of that particular commodity, and there is not very much to be done enforcementwise. The manufacture of butter is

down considerably in connection with the whole milk and cream picture.

Senator HICKENLOOPER. That happens almost entirely because the price of butterfat is around 80 cents to \$1 a pound, and the ceiling price of butter is around 55 cents.

Mr. MONCHARSH. Historically, if a man could use his cream for other purposes profitably he would not make butter.

Senator HICKENLOOPER. There is no question about that.

Mr. MONCHARSH. Now, since there is a great demand for other cream products, a man has no reason to make butter. It is a matter of basic ratios.

Senator HICKENLOOPER. Butterfat is selling at above 80 cents a pound, and it takes almost a pound of butterfat to make a pound of butter, and the butter, after it is produced, can only be sold at 55 cents a pound. That is why you have no butter—because butterfat is being sold at 60 percent more than you can sell the finished butter for.

Senator MILLIKIN. Can you give us some more examples?

Mr. MONCHARSH. One important field is retail food. We recognize that here and there in the United States there are some retail grocers who are incorrigible. The boards can handle the run-of-the-mill overcharge, the accidental overcharge, the negligent, and even the careless overcharge, but with the large number of retail food stores there are in the United States, it is more than we can handle with the few inspectors that we have in that field. So we have to confine ourselves to the investigation of those retail food stores that have a past history of violation, with either repeated warnings, or we have had to get an injunction out against them, and having an inventory of those names, instead of just having our investigators walk up and down the street and pick every third store, we investigate these people, and we investigate them not on a spot-check basis of a few minutes, but an investigation over several days, to determine, first, that there are violations as to such important commodities as meat, for example; second, that the amount of overcharge revealed is at least 10 percent over the ceiling price; and third, that on rechecking, in going back, they continue to violate. When we have that evidence we do not want a triple-damage claim as to that man. We are not interested in money with that man. We either refer the matter to the United States attorney for criminal action, or institute a license-suspension suit and ask the court to close him up for a period of up to 1 year. We do not have a great many of those cases, but we do feel that the complying in the area are entitled to that protection, that this sore spot in that area should not continue to exist.

Senator MILLIKIN. Give us some more examples. You have mentioned rent, meat, butter, lumber, building materials, textiles, groceries, grain. What else?

Mr. MONCHARSH. Unless I happen to think of others, those are the major items.

There are many industries that are handling important items that are in a very good state of compliance and with which we are not called upon to do very much.

Senator MILLIKIN. One of the reasons why I suggest that you recall these examples is that I have many complaints to the effect that under the law as it now exists courts are compelled to render judgments that shock their own consciences in cases where there is not a real criminal

intent. What do you suggest we can do to give the courts more leeway in those cases?

Mr. MONCHARSH. I would suggest, Senator, nothing. I have been in this for 4 years. If someone were to say to me, "Take the individuals who are willful violators on one side, and take the people who are nonwillful violators on the other and choose which one you would rather deal with," I would say I would rather deal with a willful violator.

In terms of the economy of this country, it does not make very much difference whether I pay an over-ceiling price because the man who sold to me intentionally charged it or unintentionally charged it, and I paid over ceiling. Our most difficult problem is the established businessman who cannot believe that the regulation means what it says, or who sends somebody to Washington or to the district office and gets an answer and does not like it and says: "Well, they can't mean that; there is confusion in the interpretation of it"; and rather than go to the most valid source to find out what it means, he goes ahead and takes a chance. To permit that person to believe, under a change in the statute, that he can take the chance of saying, "Well, maybe I will be investigated and maybe I will not; I will just go ahead and charge more," would build up an inflation far beyond what the willful violator can do.

I had thought, when I got into enforcement activities, and I think most people would, when we speak of violators and enforcement, we think of a racketeer. That has not been our experience. After all, who has the goods to sell? It is the person who customarily is in the line of supply. When you are dealing in terms of economy, which the statute does deal with, the courts must recognize that while we do make a distinction between a willful violation and an unintentional violation, you cannot permit a man to keep the fruit of the overcharge even though unintentional.

Senator HICKENLOOPER. Apropos this very thing that Senator Milikin mentions, I had a statement yesterday from a judge who has not been unfriendly to OPA; I mean, he believes in enforcement, and his records show that, I believe. But his statement yesterday was this—and it was rather a confidential statement—he said he was getting revolted at the judicial procedure of OPA; and he said, "Here is where the court's hands are tied." This may be in the nature of rumor; I do not allege it to be actual fact except upon his word. He said that he is of the opinion that two-thirds of the criminal penalties in his court against individuals could not be sustained; that OPA comes in with a signed statement or a confession and presents it to him. He says it is not his province to advise the person, "I believe if you try this case you cannot be convicted, because there is nothing here to sustain a conviction." But it is his opinion that about two-thirds of those cases where he imposes criminal penalties could not be sustained by convictions except on the presecured signed confession. They just walk into court and lay it down, and he imposes the penalty. He says he hates to see these cases come in, because he finds so many people that in his own private opinion should not be prosecuted or should not be convicted. But he said that his hands are tied, that he cannot, in honor, tell the lawyers to try an individual, since he has signed this confession. He does not advocate even pri-

vately going out and saying to these people, "You better try your case."

The CHAIRMAN. In other words, OPA is charged with using the third degree?

Mr. MONCHARSH. Mr. Chairman, let us analyze it.

Senator HICKENLOOPER. Well, pardon me. I would not say the court said that. If I can draw a conclusion from his statement, his statement was substantially this—that many of these people who otherwise have a perfectly defensible case, in a normal trial, as we understand trials of lawsuits today, plenty of them are induced to sign these by a reduction of penalty, a statement, saying: "Well, if you just do this we will reduce this, and you sign this and that will be all there is to it, and we will settle it." And the defendant believes that dollarwise he is far better off to settle and get it out of the way and forget about it and try to keep his place open.

Now, I do not think that accuses OPA of illegal methods necessarily. That accuses them of overvigorous securing of settlements against people who in a normal trial would not be adjudicated against.

The CHAIRMAN. Well, wait. Do you want to answer that?

Mr. MONCHARSH. Mr. Chairman, let us analyze that statement. As the Senator said, it was a conversation. In the first place—

Senator HICKENLOOPER. Bear in mind, I do not allege that that is true.

Mr. MONCHARSH. I understand.

Senator HICKENLOOPER. I am merely saying that that is apropos of what we are discussing.

The CHAIRMAN. It ought to be answered.

Senator MILLIKIN. Well, I will allege it is true, and I will allege that there is a distinct coercive effect. If they might fine a man a hundred thousand dollars on a technical violation or get him to make a statement, quite obviously there is a great coercion as to whether he should fight or should not.

Mr. MONCHARSH. Mr. Chairman—

The CHAIRMAN. I do not think he would if he were innocent.

Senator MILLIKIN. Oh, yes, Senator. Oh, not always, but surely in many cases. I mean men cannot speculate with the possibility of getting fined, we will say, a hundred thousand dollars.

Mr. MONCHARSH. In criminal cases, the Office of Price Administration does not handle criminal cases in the courts; they are handled by the United States district attorneys. To suggest that the United States district attorney would accept a case from us by referral that is not a proper case, with all of its evidence, would be an indictment of the United States district attorneys. I have seen a great many of them, I have seen their performance; and, by and large, I just say that it is not so. Now, they make that judgment. They are not going to take a case in for an indictment or information unless they are satisfied, and they are not part of the Office of Price Administration, and they have had long, long experience.

The CHAIRMAN. It is decided by a jury, by jurors.

Mr. MONCHARSH. And they have got to be satisfied there is evidence there and that they can win the case and that they can win it against a unanimous verdict, too, in a criminal case.

Senator MILLIKIN. Yes. Well, many of the district attorneys do not care to put themselves in opposition to the OPA.

Mr. MONCHARSH. Well, then you have the next factor, which I think is well understood in legal and judicial circles: that if the United States district attorney is satisfied to proceed and does proceed by either an information or indictment, that often the attorney for the defendant comes in to see the United States district attorney—and the judges know that and are not opposed to it—and says: “Now, can’t we work out something here? You have an information of seven criminal counts. Now, if this man is willing to plead guilty on one count would you be willing to dismiss on six?” That is a practice as old as the United States Government.

Senator MILLIKIN. That is true.

Mr. MONCHARSH. And the judges are familiar with it, and I am sure the judges are not opposed to it.

Now, that man is represented by an attorney. I have not heard of a single criminal case—there might be one or two somewhere in the United States—where such arrangements were made with the United States district attorney—I am not speaking of OPA—outside of the presence of an attorney for the defendant. I do not think district attorneys would care to deal with the man himself in such discussions. Then the matter is presented to the court, and the court may refuse to accept it; the court has that power.

The CHAIRMAN. And the OPA is in no way—

Mr. MONCHARSH. The OPA has nothing to do with it.

The CHAIRMAN. Has nothing to do with it?

Mr. MONCHARSH. Nothing at all.

The CHAIRMAN. That is what I mean.

Mr. MONCHARSH. Yes.

Senator MILLIKIN. The very complaint that I am putting to you is that many judges—at least, a number of judges—feel that under the law as it is now drawn they do not have sufficient flexibility to reach what they consider to be a just judgment. That is my sole proposition that I am putting to you and asking for your opinion as to what you could do to improve the law in that respect.

Mr. MONCHARSH. I feel that they have flexibility where the overcharge is proved. If the Judge is satisfied it is not proved, he should give a judgment for the defendant.

Senator MILLIKIN. But if it is proved, a legal result will follow which in itself might be considered by the judge to be an inequitable and unjust result under all of the circumstances.

Mr. MONCHARSH. Well, the legal result would be that he must find an amount of judgment in a civil case of somewhere between the amount of the overcharge and three times the amount of the overcharge.

Senator MILLIKIN. Yes.

Mr. MONCHARSH. I think, Senator, that what this judge is referring to is that he cannot go below the amount of overcharge. Where he is satisfied that the man has overcharged, say, a hundred thousand dollars, under the law his judgment cannot be less than a hundred thousand dollars, and I am assuming he must think that he ought to have some authority to say “ten thousand,” “five thousand,” or even “zero.”

On that point I say that the amendment of the statute to reduce below that single amount of the overcharge would be disastrous. It would give to the man who is selling the opportunity to say, “If I

overcharge a hundred dollars I still have a chance, for even if I lose my case I may only have to pay \$10."

Senator MILLIKIN. That assumes that he knows in advance what the judge is going to decide, and as you were speaking about an indictment of all the district attorneys, which was an entirely irrelevant interjection on your part, it is equally irrelevant to assume that someone can decide in advance what the judge is going to decide.

What is your basic objection to allowing a judge to do justice under the facts that are presented to him in a particular case?

Mr. MONCHARSH. I do not see that it could be basically just, where it is proved that a man overcharged a hundred dollars, to end up with a result that he may have any part of the hundred dollars.

Senator MILLIKIN. But you cannot sit here and see and predict all the circumstances that may enter into that case.

Mr. MONCHARSH. Nor can I see why a man should retain the overcharge.

Senator MURDOCK. May I make this comment?

Mr. MONCHARSH. It should go to the United States Treasury.

Senator MURDOCK. Let us assume everything in favor of the merchant or the fellow that has made the overcharge; but if he has actually made it, why should he be entitled under any kind of law or justice to retain any part of the overcharge?

Mr. MONCHARSH. That is it.

Senator MURDOCK. I cannot see it. I know we had this very same discussion a year ago.

The CHAIRMAN. Yes.

Senator MURDOCK. And as I recall it, it was very vigorously gone into; and the committee, I think by quite a majority, voted to make the law as it is today.

Mr. MONCHARSH. That is correct. But before that it was mandatory upon the court to award full treble, and the Congress amended the law to give the court discretion between single and treble.

The CHAIRMAN. Yes.

Mr. MONCHARSH. Now, as I understand, the question is, Should that be further extended to go below the overcharge itself?

The CHAIRMAN. It was Senator Taft's amendment.

Senator MURDOCK. Yes; Senator Taft supported it.

Senator HICKENLOOPER. Well, let me ask you this: We may find that it is established—I mean let us assume that it is established that a violation was not intentional. Of course, if it is an intentional violation, if a man designs deliberately to violate the law and thinks he can get away with it, and that is established, then he should be penalized. I mean he should suffer a penalty. I agree with that.

The CHAIRMAN. I think you are right, Senator Murdock.

Senator MURDOCK. I cannot see why a man should retain any part of an overcharge.

Senator HICKENLOOPER. But if it is established that he had no intention and it was through a mistake or inadvertence or some other perfectly explainable proposition or reason, then is it the policy of enforcement to not attempt to assess him more than the actual amount of the overcharge?

Mr. MONCHARSH. It is not. It is a fundamental policy that if we are satisfied that it was an unintentional violation—what we call the

Chandler defense, nonwillful, and practical precautions—we do not insist on more than the overcharge.

Senator HICKENLOOPER. Well, that is what I asked you, and you said it was not the policy.

Mr. MONCHARSH. I mean it is not the policy to ask for more.

Senator HICKENLOOPER. Oh, I see.

Mr. MONCHARSH. Now, sometimes confusion exists in the fact that a suit is filed for three times the amount of the overcharge because the cause of action under the statute is for that; but as far as we are concerned, and we have no hesitancy in telling the court on those occasions that we are satisfied the man has established that defense, and we ask for no more than the amount of the overcharge.

Senator HICKENLOOPER. Well, I have in mind—this case had been settled, but I have in mind the rather startling case of the lumber retailers out in my State, and in a couple of other States around there, that interpreted a \$2 broken-carlot overcharge as a justifiable addition to their costs. In other words, they had to pay it to the jobber, and I read the regulations, and it looked to me as though that was a part of their costs.

OPA comes along, and the district office at Omaha and the office down here, and eventually I have a letter in my files, signed by Mr. Bowles when he was Director, admitting that the regulation was confusing, and that OPA was issuing a clarifying amendment in order to clarify that.

Now, these people had charged this \$2 additional on broken cars of lumber; that is, broken dimensions of lumber.

Mr. MONCHARSH. Yes.

Senator HICKENLOOPER. Over four different dimensions in the car. They had charged that, and it was my contention that that is what the regulation would be reasonably understood to mean; and a clarifying amendment later was issued under the admission that it was confusing and not clear. And yet OPA goes in, and I don't know—they settled with those fellows—I think that there were quite a lot of them—I think for \$12,000. There were a number of them involved.

Mr. MONCHARSH. Do you know whether that was single?

Senator HICKENLOOPER. I think probably that was a single or somewhere near single. I do not recall the instance. But that was a case where there was no clear-cut violation of the regulation, by OPA's own admission that it was confusing, and that they were now issuing a clarifying amendment.

Mr. MONCHARSH. Well, may I say this?

Senator HICKENLOOPER. And yet, for the back action of charging this added cost—it was not in addition to the price at all. These lumber dealers had added a \$2 loading charge that the jobber charged them for loading cars with four or more dimensions of lumber in them, as they thought they had a right to and as their experts had so interpreted it, and so on.

Mr. MONCHARSH. Well, may I say—

Senator HICKENLOOPER. But OPA still pursued that, and eventually I think these people decided that they had better pay it than to fight it through the Supreme Court.

Mr. MONCHARSH. Well, Senator—

Senator HICKENLOOPER. I think the settlement was \$12,000, with quite a lot of dealers involved in it, most of them having none too much at stake; I mean \$50 maybe.

Mr. MONCHARSH. By the way, I might say, because it just occurs to me now, there is one exception to what we call the single-damage rule as being the bottom. It is an agency exception, and that is financial inability to pay. Even though a man may have over a course of time collected, let's say \$50,000, and where we are satisfied of his good faith in the transaction, and of his financial structure is such that it would put him out of business to pay even that minimum amount of money, then the test is entirely different. We have no desire to put those people out of business, and very often the amount is substantially less, in fact down to zero, under those circumstances.

Senator MILLIKIN. What happens to the fine which is adjudicated as overcharge?

Mr. MONCHARSH. It goes to the United States Treasury.

Senator MILLIKIN. Did the merchant sell goods to the United States Treasury?

Mr. MONCHARSH. No; not necessarily.

Senator MILLIKIN. What right has the United States Treasury to it?

Mr. MONCHARSH. Because all money collected by the Government goes to the United States Treasury.

Senator MILLIKIN. But your theory is that a man should not be allowed to keep an overcharge. The man that has a claim to the overcharge is the man to whom he sold the goods.

Mr. MONCHARSH. No; under the act—

Senator MILLIKIN. I understand, under the act.

Mr. MONCHARSH. Yes.

Senator MILLIKIN. But I am talking about the moral phases of the thing. The man that has been injured is the man who is entitled to the remedy. Now, I suppose you can say that the public has been injured and that therefore it is entitled to the remedy, but that leaves the fellow who has really been injured unredressed.

Mr. MONCHARSH. I think it was a sound policy of Congress to provide that where a person of higher level than a consumer paid over the ceiling it should not be the intention of Congress to provide him with a refund, but to have that money go to the United States Treasury, because when you get from the retail level up through to the producing level those people are in a much better position than the average consumer to ascertain whether they are paying over the ceiling or not.

Senator MILLIKIN. I understand that it is entirely impractical to restore the overcharge in many cases to the purchaser. If a man goes into a motor court and spends a night and is overcharged for service, and departs and leaves the country, it would be impractical, of course, to try to run him down and pay him an overcharge. When the United States Government takes that money, it is not the man who was overcharged.

Mr. MONCHARSH. That is correct.

Senator MILLIKIN. What that amounts to in real substance is a fine, and that raises the question whether a judge should not be entitled to judge the amount of the fine under the particular circumstances of the particular case.

Mr. MONCHARSH. There are many statutes on the books of the Federal Government that provide for civil remedies of the payment into the United States Treasury. The entire Claims Department of Justice works on the civil remedies of the Government. Those are not

finer in that sense, and Congress has repeatedly, in enacting its statutes dealing with the civil remedies of the United States Government, created minimum standards, maximum standards, forfeitures.

Senator MILLIKIN. Yes.

Mr. MONCHARSH. It has been a consistent policy of Congress to recognize the distinction—

Senator MILLIKIN. Why should a judge not be entitled to judge the interests of the United States in the recovery?

Mr. MONCHARSH. Because the Congress has made a judgment.

Senator MILLIKIN. I understand that.

Mr. MONCHARSH. And I think rightly.

Senator MILLIKIN. That is in the law. My sole purpose in talking to you is about whether the law can be improved. So we cannot lock all discussion of the matter into whether it is already in the law.

Mr. MONCHARSH. Yes.

Senator MILLIKIN. My point is whether it should be taken out of the law or whether the law should be amended.

Now, let us put our minds on that. Why should not the judge be entitled to judge the public interest in the recovery, since it does not go back to the man who has been cheated?

Mr. MONCHARSH. Because as a basic fact it is inconceivable to me that in the exercise of sound and mature discretion any judge could possibly render a judgment which would permit a man to retain the fruit of violation, the overcharge itself.

Senator MILLIKIN. Then, it is inconceivable to you that an amendment giving the judge discretion should not be adopted?

Mr. MONCHARSH. There are a great many judges in the United States, in both the Federal and State courts, both having jurisdiction, and in some areas it would mean that Congress would say, "Well, we don't care if this particular judge wants people to retain the amount of the overcharge or all but \$5 of a \$10,000 overcharge; that we Congress, will permit the judiciary to do that. We countenance—we think it is all right." I cannot conceive how it could be all right.

Senator MILLIKIN. Well, but we habitually entrust to the judiciary the measure of the damage to the public interest. We do that in many fields perhaps just as important as the pricing field. You allow a judge to impose a fine of from nothing up to \$20,000. His judicial judgment operates on all of the things that go into the assessment of a fine; the injury to the public interest, the punitive result on the defendant, and so forth, and so on. There are a half dozen things that a judge thinks about, or should think about, when he imposes a fine. He is measuring all the equities that are in the case and reaches a decision. Maybe it is a wrong decision, but we habitually commit that sort of thing to the judiciary.

Mr. MONCHARSH. And there are many fields in which Congress does not.

Senator MILLIKIN. But I do not know of any field where it does not commit some judgment in the matter of fines.

Mr. MONCHARSH. That is correct. And the judgment in the OPA cases is applied by the judiciary.

Senator MILLIKIN. If this money went back to the fellow that was hurt, I would have no quarrel with you at all on it. I would not for a moment take the position that we should not make restitution to a man who has been damaged. But we do not send it back to him; we

put it in the Treasury. Therefore, it is a public penalty, in real substance.

Mr. MONCHARSH. We have the same situation in the entire field of taxes. Suppose a man filed in good faith a tax return and applied to himself at a rate very much less than is the proper rate for him at his particular income bracket.

Senator MILLIKIN. Yes.

Mr. MONCHARSH. The law as it stands today, and as it has always stood, would not permit a judge to say, "Well, it would be in the public interest to let him pay that lesser tax." Whenever a case like that gets into the court, the court is bound to recognize the tax rates as applied to those brackets.

Senator MILLIKIN. But the law does give the judge in that kind of a case the right to determine whether the fellow shall go to the hoosegow and how long he goes to the hoosegow and what his fine shall be.

Mr. MONCHARSH. In criminal cases in OPA it is identical—

Senator MILLIKIN. Yes.

Mr. MONCHARSH. Identical with what you have just said. I am speaking of the recovery of money in a civil case.

Senator MILLIKIN. Yes.

Mr. MONCHARSH. If the tax authority filed a civil proceeding to collect taxes, or if we filed a civil proceeding to collect the amount of the overcharge, you would have the identical situation.

Senator MILLIKIN. All right. Now give us a synopsis of matters in OPA that come into a court. Give us a synopsis of things that bring a case into court on the civil or criminal side.

Mr. MONCHARSH. You mean the types of cases?

Senator MILLIKIN. I do not mean types. I mean civil side, criminal side, when they get there.

Mr. MONCHARSH. Well, a criminal case is only that type of case in which there is evidence of willfulness in violation, which is more than just an assumption that a man intended to violate, but there naturally—as a matter of proof there must be evidence.

Senator MILLIKIN. Yes.

Mr. MONCHARSH. Either by witnesses or by documents.

Senator MILLIKIN. Yes.

Mr. MONCHARSH. Which would show that the man knew he was violating and went ahead to do it with that knowledge.

Senator MILLIKIN. In that kind of case what do you ask from the district attorney?

Mr. MONCHARSH. We refer the facts to him.

Senator MILLIKIN. And he?

Mr. MONCHARSH. He judges whether it is a criminal case.

Senator MILLIKIN. Yes.

Mr. MONCHARSH. If not, he sends it back to us.

Senator MILLIKIN. That is right.

Mr. MONCHARSH. If he thinks it is a proper criminal case, he handles it from that point.

Senator MILLIKIN. All right, now.

The CHAIRMAN. He sends it to the grand jury, does he not?

Mr. MONCHARSH. Well, if it is going to be an indictment, he sends it to the grand jury, or he may get out an information.

Senator MILLIKIN. One more question: When that criminal case gets before the judge, what is the range of the judge's discretion?

- Mr. MONCHARSH. Complete.
- Senator MILLIKIN. Tell us what it is.
- Mr. MONCHARSH. Well, he will hear the evidence.
- Senator MILLIKIN. What discretion does the law vest in the judge?
- Mr. MONCHARSH. After he hears all the evidence?
- Senator MILLIKIN. What is the fine? What is the penalty?
- Mr. MONCHARSH. Under the penal provisions of the act there is a minimum of \$10,000.
- Senator MILLIKIN. All right. \$10,000.
- Mr. MONCHARSH. And I think 2 years, isn't it?
- Senator MILLIKIN. Two years.
- A VOICE. One year.
- Mr. MONCHARSH. One year?
- A VOICE. One year.
- Mr. MONCHARSH. It is 1 year.
- Senator MILLIKIN. One year. May he assess anything else, in his judgment?
- Mr. MONCHARSH. No.
- Senator TOBEY. That is on each count, is it not?
- Mr. MONCHARSH. That is on each count.
- Senator MILLIKIN. On each count. So if a man sold a hundred pieces of textile at an overcharge, a willful overcharge, he might have a separate count for every one of the offenses?
- Mr. MONCHARSH. That is right.
- Senator MILLIKIN. And could be fined accordingly?
- Mr. MONCHARSH. That is right.
- Senator MILLIKIN. In fact, in that kind of case the judge would not have any discretion to only hold him to one count, would he?
- Mr. MONCHARSH. There is no minimum.
- Senator MILLIKIN. What?
- Mr. MONCHARSH. There is no minimum. The judge——
- Senator MILLIKIN. I am talking now about the judge handling the indictment. A motion comes to strike this and that out of the indictment. If there are 300 counts in the indictment does the judge have the authority to strike out 299 and put the case on one?
- Mr. MONCHARSH. Yes; if he thinks that the 299 counts are not proper counts.
- Senator MILLIKIN. I am assuming that the same facts apply to all of them. Could he say, "This will lead to an inequitable and unjust result, and therefore I am going to try this case on one count"?
- Mr. MONCHARSH. I do not know what the judges' practise is. There is so much flexibility on the criminal cases.
- Senator MILLIKIN. That is what I am getting at. They say they do not have flexibility.
- Mr. MONCHARSH. Well, he could even do this: He could fine them a dollar on each count if he wanted to.
- Senator MILLIKIN. Yes.
- Mr. MONCHARSH. Or he could dismiss some of the counts and fine them a dollar on the rest, and we have had that happen in many cases.
- Senator MILLIKIN. Yes.
- Mr. MONCHARSH. Or he could fine nothing. He could give a jail sentence and suspend it. He could put the man on probation. He has a great variety of things he could do in criminal cases.

Senator MILLIKIN. Does he have any power to adjudge restitution?

Mr. MONCHARSH. There have been occasions—now, I am not sure what the power is—there have been occasions where the court has said, at the conclusion of a trial or on a plea of guilty, that he will take seriously steps taken by a man in making restitution.

Senator MILLIKIN. Well, that would be by way of mitigation.

Mr. MONCHARSH. In determining—

Senator MILLIKIN. That would be by way of mitigation.

Mr. MONCHARSH. Yes.

Senator MILLIKIN. Does the judge have a right to make any judgment that includes “restitution”?

Mr. MONCHARSH. No.

Senator MILLIKIN. He does not?

Mr. MONCHARSH. No.

Senator MILLIKIN. Now let us get over on the civil side.

Mr. MONCHARSH. In the civil side we have first the injunction proceeding, which is similar to injunction proceedings in any other case.

Senator MILLIKIN. When do you bring that kind of a case as distinguished from a criminal case?

Mr. MONCHARSH. Where we are satisfied that the violation is not wilful; that it is not trivial, however; that what is needed is moral toning up, in terms of a judge’s order that the man should not violate again.

Senator MILLIKIN. You are asking the man to promise to be good.

Mr. MONCHARSH. And that if he does repeat his violation he would then be in contempt of the court.

Senator MILLIKIN. And so, over his head all the time hangs the proposition, “Don’t make a single mistake.”

Senator TOBEY. Willfully.

Senator MILLIKIN. Willfully? Not willfully. The hypothesis of what we are working on here is that we do not have a criminal case.

Mr. MONCHARSH. No; but the judges—the courts do not render contempt judgment solely on evidence of the repeating of a violation.

Senator MILLIKIN. Well, I am not arguing the merits of a case that is not before us.

Mr. MONCHARSH. Yes.

Senator MILLIKIN. I am trying to get the procedure. You go in with an injunction case, and that covers the field where you do not have a criminal case.

Mr. MONCHARSH. Correct.

Senator MILLIKIN. Is that right?

Mr. MONCHARSH. Covers a portion of the field.

Senator MILLIKIN. So you do not have a wilful criminal intent. Here is a man that has made an honest mistake, and you take him into court and subject him to publicity and notoriety. He may have been an honest merchant all of his life; he may not have intended to make a mistake in the case that involves the particular complaint. But you bring him in and you have him adjudged—you bring an injunction against him, and if from that time on he makes a single mistake, he then can come under contempt penalties. Is that not correct?

Mr. MONCHARSH. He might. The court has discretion.

Senator MILLIKIN. I said he could.

Mr. MONCHARSH. It is up to the court.

Senator MILLIKIN. Yes; it is up to the court.

Mr. MONCHARSH. Now, the person I am referring to, the person—

Senator MILLIKIN. Now let us put our minds on that.

Mr. MONCHARSH. Excuse me again, Senator. Now, you referred to this man who had a long history of good reputation?

Senator MILLIKIN. Yes.

Mr. MONCHARSH. A mistake, and so on?

I am speaking of the injunction case generally. We do not file an injunction against every violation, an inadvertent error where there is no intention that he might repeat; no.

Senator MILLIKIN. I understand theoretically you give every consideration to the fact that a man had been in business 50 years and had been a reputable merchant and of fine reputation.

Now let us follow this injunction business a minute. I want to get this clear as a bell.

A case that is not criminal but involves violation. You can choose to go the injunction route?

Mr. MONCHARSH. That is right.

Senator MILLIKIN. Does that funnel through the district attorney?

Mr. MONCHARSH. No; that is handled by the OPA attorneys.

Senator MILLIKIN. You handle that yourselves?

Mr. MONCHARSH. That is correct.

Senator MILLIKIN. So you present in the first instance the issue of injunction to the judge?

Mr. MONCHARSH. That is right.

Senator MILLIKIN. Now, what is the judge's discretion in that kind of a case?

Mr. MONCHARSH. He may refuse.

Senator MILLIKIN. Assuming there is a clear case of a mistaken overcharge, what is the judge's discretion?

Mr. MONCHARSH. He may refuse to grant the injunction.

Senator MILLIKIN. He may refuse to grant it, yes.

Mr. MONCHARSH. Or under the suggestion made by the United States Supreme Court, may hold the case on his calendar indefinitely.

Senator MILLIKIN. Yes. Well, that is the same as a sort of interlocutory injunction. That is, it has the same effect.

Mr. MONCHARSH. In a broad sense, yes.

Senator MILLIKIN. But it is possible, then, for the men making an honest mistake—a reputable merchant long established in business—to be smeared with one of these actions where his intent was entirely innocent, but he made a mistake?

Mr. MONCHARSH. I think that is very remote. The way you described it, Senator, I think that is very remote.

Senator MILLIKIN. It certainly would not do the merchant any good—

Mr. MONCHARSH. No. I would say the situation you have described is remote.

Senator MILLIKIN. To have an injunction put on him under those circumstances. I am not talking about whether it is remote or not; I am talking about the possibilities. When we get into this whether it is remote, that requires you to tell the circumstances of every case that has ever been before you. I do not want to go into that. I am simply talking about the possibilities.

A reputable merchant whose best asset is his reputation could be enjoined under this statute, smeared in public because he was enjoined, given the reputation of being a price violator, and then having this thing hang over his head to terrify him, under the possibility that he might make another innocent mistake and then be held in contempt of court.

Mr. MONCHARSH. No; because—

Senator MILLIKIN. It is possible, is it not?

Mr. MONCHARSH. It is not possible unless the court is not doing his duty.

Senator MILLIKIN. All right, sir.

Mr. MONCHARSH. The court has to make determination first that the violation occurred, and second, that an injunction is proper.

Senator MILLIKIN. Well, all right. The court says under the circumstances, "You made 10 innocent mistakes. I am going to put an injunction on you." All right. After the injunction 10 more innocent mistakes occur, and he gets him up for contempt. It is possible, is it not?

Mr. MONCHARSH. Ten innocent mistakes may impress the judge as indicating some carelessness.

Senator MILLIKIN. Yes. It is possible that such a thing could happen, is it not?

Mr. MONCHARSH. Certainly.

Senator MILLIKIN. Yes.

Mr. MONCHARSH. And the judge might be impressed with the carelessness that results in repeated overcharges to consumers.

Senator MILLIKIN. If he grants an injunction because of 10 innocent mistakes in the first instance, he probably would put a contempt fine on the man, or a contempt penalty in the second instance.

Mr. MONCHARSH. Well, may I say this?

Senator MILLIKIN. And here is an innocent man, a reputable merchant, who probably had his business destroyed and his reputation destroyed through 10 innocent mistakes.

Mr. MONCHARSH. Well, Senator, I cannot go with you on this point, talking about 10 innocent mistakes, and your judge, who, reviewing the evidence says—

Senator MILLIKIN. Make it 12 if you want to.

Mr. MONCHARSH. Well, withdraw the number. But the judge is satisfied from the facts that this man needs to be enjoined; and I would assume from the fact that you referred to the word "innocent" that while they were not wilful there was carelessness.

Senator MILLIKIN. Of what virtue is the act unless the judge does enjoin a man who makes innocent mistakes?

Mr. MONCHARSH. An isolated innocent mistake, I do not think the judge should issue an injunction.

Senator MILLIKIN. You would not have any enforcement at all if you did not do something about innocent mistakes, because that raises the very point you were emphasizing a while ago, that you are giving the violator that great opportunity to plead innocent mistake. So you have this enjoining to stop innocent mistakes. If that is not the purpose, you have no purpose for it.

Mr. MONCHARSH. I know, but there are innocent mistakes and innocent mistakes. Where a man has indicated a carelessness in his inno-

cence, that is not the same as walking into a store and scouring—let's say a department store—and scouring day in and day out to find one violation out of thousands of transactions; any lawyer in the OPA who would ask for an injunction ought to be discharged and any court who would give it ought to have his head examined.

Senator MILLIKIN. Is not the purpose of your injunctive remedy to stop innocent mistakes?

Mr. MONCHARSH. Yes.

Senator MILLIKIN. That is its virtue.

Mr. MONCHARSH. Of a type.

Senator MILLIKIN. Yes.

Mr. MONCHARSH. Of a type that is more than a sporadic transaction.

Senator MILLIKIN. And to stop an innocent mistake you put a man up against all of this injunctive procedure with all of the harm that it can do to his business, innocent though he may be.

Mr. MONCHARSH. Well, I think we understand each other on the meaning of the word "innocent." A course of conduct—

Senator MURDOCK. OPA did not write the law.

Mr. MONCHARSH. No, sir.

Senator MURDOCK. And OPA does not have confirmation of Federal judges, and it seems to me that if you go to the length that Senator Millikin wants you to, we must assume that we have a fool on the bench as well as a rather vicious fool in the OPA Enforcement Section.

Mr. MONCHARSH. Being a lawyer, I do not want to make such an assumption.

Senator MURDOCK. I don't either.

Senator HICKENLOOPER. Mr. Chairman, may I—

Senator MURDOCK. But I think you have got to do it in order to accept the Senator's suggestion.

Senator MILLIKIN. You might have that combination.

Senator HICKENLOOPER. May I interject at this point?

Senator MURDOCK. Yes.

Senator HICKENLOOPER. I might say this to refute some statements that have been made. Here is some testimony of Mr. Hunter in which he refers—and I will quote his testimony, and then I will quote the statement of the district court of Oregon. Mr. Hunter says [reading]:

The case of Bowles, Administrator—
well, first he says:

Many honorable and law-abiding citizens unwittingly violate these complicated, incomprehensible, and impossible regulations and are subject to the disgrace of being convicted in the United States courts as law violators. The case of Bowles, Administrator, versus an Oregon packer, decided by the district court, District of Oregon, February 20, 1946, illustrates this point. This livestock slaughterer was defendant in an OPA suit for an injunction to enforce compliance with Maximum Price Regulation 674, which establishes ceiling prices to be paid for live cattle.

The court found the defendant guilty and issued the injunction but, in doing so, among other things, said—

And this is a quotation from the district court's decision:

"I accept the contention as proven that the regulation is unworkable in this area. It has been shown that violations are unavoidable. No evidence was offered to the contrary. * * * But here the defendants, while honestly endeavoring to comply, cannot at all times and under all conditions be certain that their operations will at the end of every 30 days' reporting period, 'be in compliance' under the formula."

The regulation itself cannot be assailed in this proceeding * * *

"It compels the courts to treat a regulation as valid, even though they know it to be invalid.

"In other times, I would have thought there could be but one answer to this question, but the decisions in this circuit have so completely shown the district judges of discretion in OPA cases, I must conclude that equity is compelled to act in this field, even though there be not equity—that an injunction must issue, even though it is known at the time of the issuance that nonwillful violations are bound to occur.

"This is a strange situation, previously unknown to our law, and it could not arise except for the vice that section 204 (d) puts on the courts, coupled with the appellate decisions referred to, which take away that discretionary power normally allowable to trial courts.

"Because I have no choice, I will therefore issue the requested injunctions, expressly reserving, however, the question of their enforceability, for I am yet to be persuaded that an equity court can punish conduct that contains no ingredient of evil."

Mr. MONCHARSH. Mr. Chairman, I am familiar with the case. That is the decision of Judge McCullough up in Portland. Now, what that case related to was the desire on the part of Judge McCullough to inquire into the validity of MPR 574, which is the slaughter-control regulation, the heart of our meat regulations. I come from that part of the country, and I know the judge very well. He has long felt that the district judges of the United States should be permitted to inquire into the validity of the regulations and make a determination that a regulation is or is not valid, and under 204 of the Emergency Price Control Act the Congress from the beginning has said that exclusive jurisdiction to determine the validity of a regulation shall rest, after protest proceedings, in the Emergency Court of Appeals, for the reason that you could not have a judge in Oregon declare the important meat regulation invalid and another judge up in Boston declare it to be valid without completely wrecking the entire industry affected by that regulation.

Senator MILLIKIN. I read nothing of that kind out of what Senator Hickenlooper read.

Mr. MONCHARSH. It is in there. He has referred to the section.

Senator MILLIKIN. Do you mind reading it again, Senator?

The CHAIRMAN. He is referring to the regulation.

Mr. MONCHARSH. The last paragraph.

Senator HICKENLOOPER. He says [reading]:

The regulation itself cannot be assailed in this proceeding. * * *

It compels the courts to treat a regulation as valid, even though they know it to be invalid.

In other times I would have thought there could be but one answer to this question, but the decisions in this circuit have so completely shorn the district judges of discretion in OPA cases, I must conclude that equity is compelled to act in this field, even though there be not equity—that an injunction must issue, even though it is known at the time of the issuance that nonwillful violations are bound to occur.

Mr. MONCHARSH. The contention that was made in that case was that under MPR—

Senator HICKENLOOPER. There are two more short paragraphs.

Mr. MONCHARSH. That under MPR 574, the slaughter regulation, that under that regulation the attorneys for the defendant contended that it was not physically possible for them as they purchased live cattle to weigh out and know by the end of the accounting period that they were within their average legal purchasing prices. Judge McCullough was impressed with that argument, but said, "The circuit

court." which is the higher court over him, "has told me," and did tell him, that it is not in his power to enter into that determination, that that is something for the Emergency Court of Appeals to consider.

Now, I am not criticizing Judge McCullough for feeling annoyed that he doesn't have that power, but it seems to me that it cannot be a power given to all of the district judges; it has got to be decided in one forum for one necessary regulation.

The CHAIRMAN. Congress decided that question.

Mr. MONCHARSH. Correct.

Senator MURDOCK. And after a lot of deliberation here last year on this very question—

Mr. MONCHARSH. Yes, sir.

Senator MURDOCK. It was decided to continue the exclusive jurisdiction of the Emergency Court.

Mr. MONCHARSH. I daresay that Judge McCullough, in view of this statement, if he had the authority, would have knocked out MPR 574 in Oregon, which would have meant that the people buying meat at high prices in Oregon could have done so legally, and the meat would be drawn right into Oregon and away from other areas.

The CHAIRMAN. I was once a member of the appellate division in New York, and I know that when we reversed a case the judge down below thought that we were insane, and all that sort of thing. We differed. That does happen.

Senator TOBEY. Mr. Chairman, may I just interpolate here?

The CHAIRMAN. Yes.

Senator TOBEY. This morning I asked the witness about a situation that came up through a letter from a veteran in New Hampshire about lumber, and Mr. Potter of the OPA has kindly gone into the matter and read the letter and given me the answer; and so the record will be clear I would like to ask that the reporter incorporate these notations here after my inquiry, with the preamble that since making his remarks the OPA has investigated the matter and advises me as follows, and I will read it:

OPA has no regulations in any way restricting anyone from cutting lumber. We only control prices in cases of sales. The statement regarding a GI buying logs to be cut into lumber for his home and being unable to do so because "OPA has frozen all lumber over 4,000 feet" is incorrect.

OPA has an order requiring mills cutting an average of at least 4,000 feet of hardwood and 8,000 feet of softwood or 8,000 feet of both a day to set aside 40 percent of their softwood and a portion of their hardwood suitable for flooring for housing subject to priority orders. But any mill can cut logs on "custom order."

The statement in regard to the GI wanting to cut logs is incorrect both as to OPA and all Government agencies.

Signed "Z. L. Potter, OPA."

I just want to have the record clear.

The CHAIRMAN. Yes.

Senator TOBEY. Thank you.

Senator MILLIKIN. Well, Mr. Chairman—

The CHAIRMAN. Yes.

Senator MILLIKIN. The fact still remains that the GI has not got his lumber. There must be some—

Senator TOBEY. The fact still remains that the OPA is not to blame for it.

Senator MILLIKIN. Well, I don't know about that.

Senator TOBEY. Well, I do, because this man is telling the truth unquestionably here. I will take it up with him and give him the benefit of this counsel, and I will find out, and I will correct his mind—disabuse his mind from the misconception of the facts in this very important case.

Mr. MONCHARSH. One of the offices has a little picture up on the wall that says, "OPA did not bomb Pearl Harbor."

Senator MURDOCK. You have not convinced everybody of that fact yet. A lot of them still remain to be convinced.

The CHAIRMAN. Are there any further questions?

Senator MILLIKIN. I would like to ask the witness how many injunction cases have been brought?

Mr. MONCHARSH. In 1945, about 30,000.

Senator MILLIKIN. 30,000?

Mr. MONCHARSH. Yes, sir.

Senator MILLIKIN. How many will you bring this year?

Mr. MONCHARSH. My guess would—

Senator MILLIKIN. I mean more or less.

Mr. MONCHARSH. I would guess quite a bit less.

Senator MILLIKIN. Even though violations are increasing?

Mr. MONCHARSH. No, but because those who are under injunction and who continue to violate give us an opportunity to make a judgment that possibly a criminal proceeding would be more appropriate.

Senator MILLIKIN. You mean you have skimmed off the worst violators?

Mr. MONCHARSH. It is a pretty good indication, when a man is under an injunction and then violates repeatedly, that we are closer to getting the evidence of willfulness.

Senator MILLIKIN. You won't need so many investigators, though, will you?

Mr. MONCHARSH. Oh, yes. A criminal case is a very difficult case to investigate, much more difficult than any other.

Senator MILLIKIN. Now, you are going to shift the emphasis on the criminal end; is that right?

Mr. MONCHARSH. We have been doing that for some time. We are shifting more toward suspension and the criminal cases.

Senator MILLIKIN. Yes.

Mr. MONCHARSH. We will not show a greater number of cases, and some will be less.

Senator MILLIKIN. How many injunction cases did you have prior to 1945?

Mr. MONCHARSH. I do not have the figures here, but I would imagine that the figure in 1945 was the highest.

Senator MILLIKIN. Will you give us for the record—will you see that we get the number of injunction cases which were brought?

Senator BANKHEAD. In that connection, last year how much money have you paid into the Treasury as a result of your enforcement proceedings?

Mr. MONCHARSH. Last year the total amount paid into the Treasury was approximately \$23,000,000.

Senator BANKHEAD. 1945?

Mr. MONCHARSH. 1945; 1944 was about \$21,000,000.

Senator TOBEY. That is not hay, is it?

Mr. MONCHARSH. No; it is more than it cost to run the enforcement operation by far.

Senator MILLIKIN. Do you gentlemen run graphs on the number of your prosecutions?

Mr. MONCHARSH. Run what?

Senator MILLIKIN. Graphs.

Mr. MONCHARSH. Graphs.

A voice. Charts.

Mr. MONCHARSH. Charts. I was a little disturbed; for a moment I thought the word was "graft." [Laughter.]

In a very limited way. We do them solely for work-load measurements. For example, we like to know over the country how many cases a lawyer is handling. We may find in one district that a lawyer claims to be awfully busy, and when we look over the trend, that he is handling about 2 cases a month, and another man may be handling 12, in exactly the same commodity field. Now, either the one who is handling 12 is doing a slipshod job, or the one who is handling 2 has his feet up on the table.

Senator MILLIKIN. That is on the theory that the policeman who makes the most arrests is the best policeman.

Mr. MONCHARSH. No; it is on the theory that you hold them to a certain minimum standard, and that when they go below the minimum they are wasting the Government's money, and we do not want to pay them for it.

Senator MILLIKIN. The graphs and the other tables and other statistical measurements that you make to all of your employees would tend to stimulate them to a high-production level, would it not?

Mr. MONCHARSH. No.

Senator MILLIKIN. Then why do it?

Mr. MONCHARSH. Very definitely not.

Senator MILLIKIN. Then why do it?

Mr. MONCHARSH. For the reason I have stated.

Senator MILLIKIN. Well, the reason you have stated is that some of the fellows are getting on the slow side and you want to actuate them.

Mr. MONCHARSH. Some of the fellows may be lazy.

Senator MILLIKIN. I see.

Mr. MONCHARSH. We do not want people on the pay roll that are just drawing pay; they can take their vacation elsewhere.

Senator MILLIKIN. You want these fellows to increase their activity, and to stimulate their activity you show them these charts and thermometers.

Mr. MONCHARSH. No.

Senator MILLIKIN. And graphs and statistical sheets, and so forth.

Mr. MONCHARSH. No. When investigators come in, taking an arbitrary figure, with 10 cases, and they find that those 10 cases, as files, accumulated dust and finally become so aged that they were worth nothing because the attorney had not taken his step on it, we will lose that investigator. He is a good man. He has got the case. We do not want to lose good men. It is part of our job to find out: Is a lawyer, because he is looking for the biggest case in the United States to take to the United States Supreme Court for his personal glory, is he waiting for that one case while all the others are gathering dust?

Senator MILLIKIN. Would you say that that system does not stimulate men to increase their enforcement output?

Mr. MONCHARSH. It does if you do nothing else, but we have constantly told them, and I have traveled all over the United States and told them personally as well as in writing, that we are not running a race here. This is not a foot race. We are running an agency, and we have got to do the job right. We do not want lazy people, and we do not want people who are trying to make a record. And as far as the money is concerned, we are no cash register. If we have sued a man and find upon reexamination of the facts as he brings them in to us that we have no case, we do not want to settle with him; we may dismiss the case.

Senator MILLIKIN. Do you not likewise handle the amount of your recoveries in that graphic way?

Mr. MONCHARSH. No.

Senator MILLIKIN. With your various employees?

Mr. MONCHARSH. No.

Senator MILLIKIN. Are you sure?

Mr. MONCHARSH. I am sure. What we do is this: Where settlements are made, since the district office may also settle at a range between single and treble, where we find that one office has settled every one of its cases and they were settled at exactly single, and an adjoining office has a reasonable spread, then we ask ourselves, Is it possible that the merchants in one district are all innocent violators and the merchants in the others are not?

Senator MILLIKIN. Yes.

Mr. MONCHARSH. Well, I mean that human nature does not work that way.

Senator MILLIKIN. Well, then, of course, the pressure is—

Mr. MONCHARSH. Well, but you have to have the figures in order to do this, to go to the attorneys and say, "Well, now,"—

Senator MILLIKIN. Well, under your own words the pressure of that system requires an area which is not producing so many complaints as you think it should produce, to produce more complaints.

Mr. MONCHARSH. If it is in an area where they are practically completely inactive, yes; because it is not conceivable—

Senator MILLIKIN. Well, that might show the widespread honesty of the citizenry.

Mr. MONCHARSH. I was going to say, because it is not conceivable on the basis of the information we have in the important fields in which we are working, that you would have a hundred percent compliance, or anything like it.

Senator MILLIKIN. Well, you have thoroughly convinced me that you do run a pressure system.

Mr. MONCHARSH. No. And if we found—

Senator MILLIKIN. And knowing Mr. Bowles, I would expect you to have a lot of graphs and thermometers and things.

Mr. MONCHARSH. We don't.

Senator MILLIKIN. Around your regional office.

Mr. MONCHARSH. We don't. Now, as a matter of fact, if we found that some office had settled all of its cases at full treble, we would be equally seriously disturbed. It is not possible that everyone of those cases would not be entitled to the consideration of the Chandler defense under the act.

Senator MILLIKIN. But when you pick out your heroes of enforcement you don't pick out the fellows that don't do anything.

Mr. MONCHARSH. No; certainly not; and we don't pick out people who overdo and therefore detract from the reputation of the agency and of the Congress. You are dealing with human conduct, and you try to find a medium of sound conduct, but you have to show people when you are criticizing them how others have acted, and we do not ask for the top and we do not want the bottom.

Senator MILLIKIN. Now, on this injunction business I want to ask one more question: State, if you please, your basic theory warranting this injunction procedure. This is in cases where there is no willful intent, mistake cases.

Mr. MONCHARSH. My basic theory is that we get into areas where the mere writing of a letter by the Office of Price Administration to a merchant has proved to be inadequate to lessen the violations. I am dealing primarily with carelessness.

Senator MILLIKIN. Yes.

Mr. MONCHARSH. And particularly at the retail level. Now, we have sent out hundreds of thousands of letters, warning letters, which say, "Now, you have done this, and don't do it again. If you do we will have to take particular action." That is not the situation I am talking about. It is one that is a step higher, where an attorney makes a judgment that most likely if the judge is satisfied that the violation occurred and agrees with the attorney that this man is either overly careless, negligent, or somewhat intentional—those are rather shady concepts—that if the judge would render the injunction most likely that will bring the man into line, and that we will probably not have anymore difficulty with him. It is a device for raising the tone.

Senator MILLIKIN. Do you always give warnings before you bring injunctions?

Mr. MONCHARSH. It depends on the nature of the case. If the case is such that—there again you are getting into questions of judgment. If the violation is a border-line type we might do that. If we feel that this wasn't a case where a warning from us would make any difference, we would not.

Senator MILLIKIN. So in all cases you do not give a warning before asking for an injunction?

Mr. MONCHARSH. There is one point. Now, we were speaking of warning. Now, there is another point in it. We have a policy of the system that no lawsuit is to be filed against anybody—I am speaking about civil cases which we handle—no lawsuit is to be filed against anybody unless advance notice be given to him that the suit will be filed. And there are few exceptions.

Senator MILLIKIN. Well, of course, that is a horse of a different color; that is just plain notice. I am talking about a preliminary warning notice. There are cases where you do not give warning notices?

Mr. MONCHARSH. No; because if it was the type to give them a warning notice, we would write them a warning letter and let it go at that.

Senator MILLIKIN. I am saying that there are cases—

Mr. MONCHARSH. Yes, sir.

Senator MILLIKIN. Where you do not give that warning notice, in innocent-mistake cases.

Mr. MONCHARSH. Well, I call them careless-mistake cases.

Senator MILLIKIN. Well, call them careless-mistake cases.

Senator HICKENLOOPER. You have——

Senator MILLIKIN. I just want to ask one more question. Pardon me.

Senator HICKENLOOPER. Yes.

Senator MILLIKIN. Now, getting down—now let us assume the man has violated the injunction. Does the court have its normal powers so far as the infliction of penalty is concerned?

Mr. MONCHARSH. Yes.

Senator MILLIKIN. Does it have any additional powers?

Mr. MONCHARSH. I mean it can grant an injunction.

Senator MILLIKIN. It can?

Mr. MONCHARSH. Or deny it.

Senator MILLIKIN. Put them in jail or fine them?

Mr. MONCHARSH. Oh, excuse me. We are speaking of contempt. It might fine them. It might hold them in contempt, but to go any further——

Senator MILLIKIN. Is it correct to say that in that kind of a case the court has all of the powers that it has in a normal contempt case?

Mr. MONCHARSH. Yes.

Senator MILLIKIN. And no more?

Mr. MONCHARSH. That is right.

Senator MILLIKIN. Right.

Senator HICKENLOOPER. You have a policy, do you not, or instructions or is it not the routine requirement of all your enforcement or legal people, that if, as, and when any person admits, by settlement or compromise or otherwise, a violation or an overcharge, to routinely insist that they consent to an injunction?

Mr. MONCHARSH. No, that is not so; there is no such policy.

Senator HICKENLOOPER. Well, the reports that I get are that many settlements they refuse to take until the individual signs a consent injunction. Now, I just don't——

Mr. MONCHARSH. Would you say that again? I am sorry, I missed that.

Senator HICKENLOOPER. I say, the information I have repeatedly is that a number of settlements in my State, on people where the violations are \$25 or \$52, or something like that—the settlement amount has been agreed upon.

Mr. MONCHARSH. Yes.

Senator HICKENLOOPER. But it won't be accepted by the district office until this man signs a consent injunction consenting to the issuance of an injunction against him.

Mr. MONCHARSH. There are cases like that.

Senator HICKENLOOPER. Well, it is a ——

Mr. MONCHARSH. We do not have a policy requiring our district offices to do it.

Senator HICKENLOOPER. No, not necessarily. You can go into court and apply for an injunction if you think it sufficiently important; but the report I have is that the pressure is put on these people and they are told how they will be taken into court and how it will be expensive and how this settlement may be turned over if they do not sign the consent injunction as a part of their settlement; and that many people in that way are completely coerced into signing consent injunctions on very small dollar violations.

Mr. MONCHARSH. Well, I cannot comment on the reports you receive, but the one thing where it does not gibe with what I know is that very few discussions occur in the OPA district offices of the United States on such subjects with people other than lawyers representing the defendant. In the normal way the two lawyers get together and discuss the settlement of cases. And even where the individual comes in without a lawyer it is basic policy—and I have never heard of it being departed from—to tell the man he ought to have an attorney. The Government lawyer would much rather talk to a lawyer.

Senator HICKENLOOPER. Well, I am talking about this tremendous number of cases where an investigator walks in, and he will find an article on a grocer's shelf allegedly overpriced a cent or two cents or some overcharge, and the fellow says, "Well, I guess I am guilty. I thought I was in compliance with the regulations, but I must be guilty"; and then the complaint is that that fellow stands right there and tries to get a confession of guilt, and also insists as a part of the transaction that the fellow then and there sign up a consent to an injunction—consent to an injunction issue.

Now, I do not say that your district offices adhere rigidly to that. They may accept a settlement and file an injunction suit, because they can always do that, and these people are coerced into it by the agents and by others, by saying, "Well, if you don't sign this consent injunction we will take you into court and you will have to have a lawsuit and you will have to go and hire a lawyer, and you will be put to expense, and you are guilty anyway, and you might just as well sign it, and all this does is to say that you won't do it again, and that is what you have told me that you won't do." And they get in many, many cases, especially the smaller violations, these people that have trouble paying their settlement anyway; in the end they would rather give up and sign the consent injunction whether they have it lodged against them or not.

Mr. MONCHARSH. Senator, the reason I doubt that that is at all on a current basis is that since November of last year, which is now some 6 months, our investigators are not supposed to be in grocery stores except on the types of cases I have described; and if it is the type of cases I have described we are not looking for an injunction.

Senator HICKENLOOPER. Well, I just used that as an illustration. Some place where you go into the retail level and check on these retail prices.

Mr. MONCHARSH. The same is true in all of our retail activities. The boards handle the retail activity on what we call the run of the mill situations. We haven't got enough manpower to go running around with investigators at the retail level, to be doing the kind of thing—now, maybe some investigator—I am not going to sit here and guarantee the conduct of every man. Maybe some investigator out of some sense of zealotry may have done just that; I would not deny it. But—

Senator HICKENLOOPER. Well, as a matter of fact, didn't your district offices instruct these men to attempt to get consent injunctions? Has that not been the instruction?

Mr. MONCHARSH. To go out to a retail store and there attempt to get an injunction, a consent to an injunction?

Senator HICKENLOOPER. Wherever your investigators go, whether it is the retail level or up to the high heaven; I don't care where they

go. Wherever your investigators go to check alleged violations, then they are instructed, not as a mandatory thing or not as a controlling thing in the settlement, but they are told to attempt within the transaction, if they can get a settlement, to attempt to get a consent injunction agreement.

Mr. MONCHARSH. I do not believe that is so.

Senator HICKENLOOPER. Well, I will say to you that I cannot say that it happens in every case, because I do not hear from everyone that gets charged with violations; but I do have letters and a great number of letters that make a pattern over my entire State, and that is one of the things that is consistently alleged, that these fellows on the ground then insist to the people, when they arrive at a settlement—and there are many of these settlements that are arrived at right on the ground—they then insist and almost convince these people that it is a necessary part of their confession that they sign a consent decree.

Now, that makes a pattern over my State, and I assume it is quite widespread.

Mr. MONCHARSH. I would appreciate it very much if you have some specifics at hand; I would like to go into it myself.

Senator HICKENLOOPER. Well, I think I can go through the files and dig out a lot of them.

Senator MILLIKIN. It is perfectly apparent to you or to anyone who is in this world that where you have two remedies, one of them civil and the other criminal, you have an enormous club in your hand against a terrified fellow to come in on the civil side rather than to have the threat hanging over him of a criminal prosecution. That is perfectly apparent to anyone who is in this world.

Mr. MONCHARSH. I am sorry—

Senator HICKENLOOPER. Do you have a record of the number of consent injunctions?

Mr. MONCHARSH. I am not so sure whether we have.

Senator MILLIKIN. Now I would like to ask you one more question. You were speaking of your shortage of investigators. I had a complaint recently that you make industry drives. The specific industry drive was the laundry and the dyers' business, and you issued a pamphlet of instructions to the investigators, and you referred to the possibly innocent man as the "subject," a term customarily applied to a man under criminal investigation. You also in that manual of instructions told your men to talk to the employees of the companies, talk to the fellows who run the delivery wagons, and this struck me as very significant and I should think very offensive to those referred to: it says "Go to the unions for information."

Do you follow that practice generally, of running mass drives on industries to collect evidence where people are not suspected?

Mr. MONCHARSH. I will answer the question this way. In the first place, the use of the word "drive"—I don't know, but it is a matter of semantics. I don't know whether the word "drive" is offensive or not.

Senator MILLIKIN. Let me give you another set of words.

Mr. MONCHARSH. I mean your wording "drive" is not considered to be—

Senator MILLIKIN. Let me give you another set of words. You instruct your regional offices that the business, we will say, of the next month now is to investigate all cleaners' and dyers' business;

and this is the "must." This is the primary objective now of enforcement for the next month. Put your men on it.

Mr. MONCHARSH. Men?

Senator MILLIKIN. Put your investigators—

Mr. MONCHARSH. In the area, in your—

Senator MILLIKIN. Have them interview the employees; have them talk to the drivers; have them talk to the unions, a very valuable source of information.

I should think that would be very offensive to the unions.

Mr. MONCHARSH. I am generally familiar with that particular program. I use the word "program," but I didn't know that the word "drive" was offensive.

Senator MILLIKIN. Well, I thought you were quarreling with the word "drive." Let the word "drive" stand.

Mr. MONCHARSH. I am not quarreling with it. I just say that now that you bring it up it doesn't occur to me that it has any offensive connotation. The word "subject" certainly—I am sorry, I don't agree. The word "subject" is a word which is merely used as the opposite of "object," meaning what you are talking about.

Senator MILLIKIN. And it is a word customarily used in reference to a man who is under criminal investigation.

Mr. MONCHARSH. No, sir.

Senator MILLIKIN. I say it is.

Mr. MONCHARSH. Well, I am sorry, I don't agree with you.

Senator MILLIKIN. I say that any man who has ever been a prosecutor, who knows anything about prosecution cases, will say that that is a word habitually used to describe a man who is under investigation.

Mr. MONCHARSH. Every investigation—

Senator MILLIKIN. Oh, yes; a "subject" is also a citizen of the United States.

Mr. MONCHARSH. Every investigation, rather than to repeat the man's name, as a matter of typing—and sometimes it might be a long name like mine—

Senator MILLIKIN. We will help you out.

Mr. MONCHARSH. Uses the word "subject" instead.

Senator MILLIKIN. We will help you out. In kingdoms and monarchies and perhaps in this country a citizen is sometimes referred to as a subject.

Mr. MONCHARSH. That is right. That is an institution.

Senator MILLIKIN. We understand those innocent connotations. I am speaking now of calling a man under investigation, who may be an innocent man, a "subject." That is a very minor part of what I am talking about. I am trying to outline to you what the object of your drive is. It is to take an entire industry and investigate the entire industry irrespective of whether there is a charge against a man in that industry or not; and then I am bringing to your attention the method in which you instruct your investigators to get evidence.

Mr. MONCHARSH. All right. Now, as far as checking the entire industry is concerned: yes, that is basic enforcement policy, that instead of waiting for somebody to write an anonymous complaint—we are not dealing with murder where you find a dead body and then can proceed from there. We develop a program.

Senator MILLIKIN. You investigate everybody as a murderer.

Mr. MONCHARSH. We do investigate. We develop a program to make our checks and to determine the state of compliance generally, and then from there to determine which people are violating, to what extent, and what needs to be done. Now, in the area with which you speak, geographically, I do not think that the total number of men that would be working on the program could possibly exceed three.

Senator MILLIKIN. It happens in that area I believe the number is less than three. I brought this to the attention of the regional man, a very good man you have out there, and he turned it over to a very able attorney who is on the staff of OPA there, and the very able attorney wrote me a letter analyzing what I have said to you in much the same way that you have. I would not suggest that there is any close coordination between you.

Mr. MONCHARSH. Well, as a member of the staff we naturally tend to think in the same terms.

Senator MILLIKIN. Possibly you may have been chewing on the same problem. But he told me about this word "subject"; also he gave me a very learned history of the word and its many innocent connotations.

Mr. MONCHARSH. Do you remember which man that was?

Senator MILLIKIN. Yes. You mean the man that wrote me the letter?

Mr. MONCHARSH. Yes.

Senator MILLIKIN. Max Melville, a very, very able lawyer.

Mr. MONCHARSH. That is right.

Senator MILLIKIN. Wrote me a splendid letter, but he did not convince me.

Mr. MONCHARSH. Then it is not really a good letter. A letter should convince.

Senator TOBEY. He who is convinced against his will is of the same opinion still.

Mr. MONCHARSH. I might say, Senator, that with respect to that reference to going to the drivers, the union—

Senator MILLIKIN. Yes.

Mr. MONCHARSH (continuing). That was removed from the program before it went out. It was in the written program, and before it went out of Washington it was deleted.

Senator MILLIKIN. Well, I am amazed that anyone would put it in in the first place, and I am delighted that someone took it out.

Mr. MONCHARSH. You can't delete unless somebody makes a mistake.

Senator MILLIKIN. Now, coming to the the main point here, tentatively at least it seems very offensive to me to put innocent people, against whom there has been no complaint whatever under that type of investigation.

Mr. MANCHARSH. I think, Senator, you would not feel that way—the check is fairly broad in the first instance, and where it appears that everything is all right, that is the end of that particular phase of it. You cannot determine where to move unless you first get a broader picture, which usually—it depends on the industry.

Senator MILLIKIN. Haven't you got full employment for your staff on complaints that are actually made?

Mr. MONCHARSH. In that field?

Senator MILLIKIN. Must you go out and run general inquisitions in order to find something to do?

Mr. MONCHARSH. In that field? You would not get complaints in that particular field.

Senator MILLIKIN. You mean that the housewife will not complain if she is overcharged on laundry?

Mr. MONCHARSH. No; we are not talking about that. We are talking about a higher level of cleaning and dying activity that goes before it actually gets to the consumer. You know you have your—

Senator MILLIKIN. Well, why instruct your agents to talk to the drivers of the delivery wagons?

Mr. MONCHARSH. I said we had deleted that portion.

Senator MILLIKIN. No; that was not deleted.

Mr. MONCHARSH. Oh, no. The union. Excuse me.

Senator MILLIKIN. The union was deleted.

Dr. MONCHARSH. Yes.

Senator MILLIKIN. But you instruct your men to talk to the drivers. It is clearly a drive to get to the consumer level.

Mr. MONCHARSH. Well, I mean do you regard it as improper for—

Senator MILLIKIN. If you think that a lady will not complain—I mean that some ladies will not complain if you overcharge her for cleaning a dress, or for laundry items, I think you are very much mistaken.

Mr. MONCHARSH. Well, I will say this—

Senator MILLIKIN. I do not think you have to run a general inquisition to find complaints.

Mr. MONCHARSH. It is not an inquisition.

Senator MILLIKIN. I come to my basic question.

Mr. MONCHARSH. Yes.

Senator MILLIKIN. Have you people not got enough to do without running blanket inquisitions against different industries?

Mr. MONCHARSH. I do not see how an important thing like cleaning and dying can be overlooked completely, and as it is with—

Senator MILLIKIN. Well, don't you get enough complaints, specific complaints to keep your agents busy?

Mr. MONCHARSH. No.

Senator MILLIKIN. Does that go all the way across the board?

Mr. MONCHARSH. No; because to take those complaints and run them down is not keeping them busy, is wasting time.

Senator MILLIKIN. Well, do you not have enough specific complaints to keep your enforcement agents busy?

Mr. MONCHARSH. If they were just running after complaints; yes. But they would not be busy on the job that has to be done.

Senator MILLIKIN. The job, then, is not to handle the specific complaints?

Mr. MONCHARSH. That is right.

Senator MILLIKIN. But to make industry-wide investigations?

Mr. MONCHARSH. In the first instance, to find out where the sore spots may be.

Senator MILLIKIN. I doubt whether you will get Congress to increase your investigating personnel on that kind of a theory. It seems to me if you can occupy yourself with specific cases that you should put the energy of your investigators on those specific cases and not be diverting them into general mass inquisitions.

Mr. MONCHARSH. Senator, if we went back to that procedure, which existed approximately 4 years ago, what we call running after com-

plaints, if ever we made that mistake again, the enforcement of the OPA regulations would be through, completely through. There is no doubt about that.

Senator MILLIKIN. Then, you say that you must make these mass inquisitions?

Mr. MONCHARSH. They are not inquisitions. We must make an industry investigation.

Senator MILLIKIN. Well, you don't like that word. Let us call it mass investigations of the subjects. [Laughter.]

Senator MURDOCK. Call him a patriot.

Mr. MONCHARSH. What?

Senator MURDOCK. I said call him a partiot instead of a subject.

Senator MILLIKIN. Now I have got my answer to Max's letter; I will send it to him.

The CHAIRMAN. Thank you very much, Mr. Moncharsh. I think you know your office very well.

Senator MILLIKIN. Off the record.

(There was colloquy off the record.)

The CHAIRMAN. Thank you very much.

Mr. PORTER, we have a vote on at 1 o'clock, and I have conferred with some of the Senators here, and they thought that if we returned at 2:30 again, your—

Mr. PORTER. Very well, that will be entirely satisfactory.

The CHAIRMAN. Is that all right with you?

Mr. PORTER. Entirely satisfactory, Mr. Chairman.

The CHAIRMAN. I am sorry; I did not think this would take so long.

Mr. PORTER. Very well. I mean I have been educated myself.

Senator HICKENLOOPER. Mr. Chairman:

The CHAIRMAN. Yes.

Senator HICKENLOOPER. In connection with the last witness and some of the examination with respect to the culpability of the public or the individual, I would just like to read a paragraph here out of a story in the Baltimore Sun of May 5th, written by Howard M. Norton, on the OPA.

The CHAIRMAN. Who is that? Who is he?

Senator HICKENLOOPER. It is a series of articles they are running on the OPA situation—

The CHAIRMAN. Oh, I see. Yes.

Senator HICKENLOOPER (continuing). In connection with this black-market operation, as to who is responsible. He says, and I quote from the story:

Black market?

"No," said the OPA. * * *

"There really is no such thing as a black market in meat.

"Black market is not a 'thing'; it is not a place. It is actually thousands and tens of thousands of individuals condoning and sharing in a practice that is taking money out of their pockets * * *."

Now, this is allegedly a quotation from OPA. I do not know who made it, but it is in a feature story. I want to put it in in connection with the statement that the public is also condoning the black market when they go and pay overceiling prices.

The CHAIRMAN. The committee will take a recess until 2:30 in this room, when we will hear Mr. Paul Porter, the distinguished Administrator.

(Whereupon, at 12:30 p. m., a recess was taken until 2:30 p. m., of the same day.)

AFTERNOON SESSION

The committee reconvened at 2:30 p. m. on the expiration of the recess.

The CHAIRMAN. Mr. Porter, we were very anxious to have you, of course, this afternoon, but we are dealing with the British loan, and there are about three or four votes coming up, each of which would interrupt the hearings. So I have discussed it with the Senators, and we have decided, in order to have a hearing from you without interruption—except by questioning, of course, and that I cannot control—we thought it best to go over until tomorrow morning at 10 o'clock, if that is agreeable to you.

Mr. PORTER. Perfectly agreeable, Senator. We will be on hand at 10 o'clock in the morning.

The CHAIRMAN. Very well. The committee will recess until 10 o'clock tomorrow morning.

(Thereupon an adjournment was taken until Friday, May 10, 1946, at 10 a. m.)

1946 EXTENSION OF THE EMERGENCY PRICE CONTROL AND STABILIZATION ACTS OF 1942, AS AMENDED

FRIDAY, MAY 10, 1946

UNITED STATES SENATE,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C.

The committee met at 10 a. m., pursuant to adjournment on yesterday, in room 301 Senate Office Building, Senator Robert F. Wagner, chairman, presiding.

Present: Senators Wagner (chairman), Bankhead, Murdock, McFarland, Taylor, Fulbright, Mitchell, Tobey, Taft, Capper, Buck, Millikin, and Hickenlooper.

Present also: Senator Moore.

The CHAIRMAN. The committee will come to order.

We have the privilege and pleasure of having Mr. Paul Porter, Administrator, Office of Price Administration, as our witness this morning.

Mr. Porter.

STATEMENT OF PAUL PORTER, ADMINISTRATOR, OFFICE OF PRICE ADMINISTRATION, WASHINGTON, D. C.—Recalled

MR. PORTER. Thank you, Mr. Chairman. I do not have a prepared statement this morning, but I do have a few comments that I would like to make in the nature of a summary of some of the testimony that has gone on before.

Further, I have certain matters that at the appropriate time I would like to enter in the record relating to specific problems that either members of the committee have raised during the proceedings, or have been raised by witnesses.

It seems to me that after 4 weeks of hearings upon this matter that there is one principal point that would appear to stand out and I would describe it this way: that it is difficult if not impossible in many instances to control the American economy, but it is equally clear that we can control inflation. I think that is what the issue really is before the Congress.

You have heard many stories of hardships and inequities. I can assure you on behalf of the agency that there is a great desire on the part of all of us to get back to a free economy as soon as it is safe to do so. I would think that the testimony, insofar as it has been critical of OPA could be summarized on four principal points:

First, price control is holding down production;

Secondly, that delays by OPA hamper production and create inequities;

Thirdly, that price control results in inequities between competitors, between industries, and between different groups in the country.

Finally, there appears to be a variety of conflicting views on the danger of inflation, ranging from the extreme that termination of price control on June 30 next, would not be followed by inflation because competition would hold down the price, to the other view that OPA's existing principles and policy on decontrol is to last forever.

I would like to comment briefly on each of those points. A number of witnesses have stated to this committee that production is being held down by price control. Some have indicated, either explicitly or implicitly, that total production in the country has been held down, or is being held down, either by the very existence of price control, or by OPA's administration of it.

This broad contention in either sense we feel is certainly not proved. We do not believe that any evidence has been given to support it, that it has been based principally on mere assertion. All the evidence I am aware of completely indicates the contrary. Total production, as has been stated, for civilians has been increasing and increasing substantially ever since VJ-day in spite of strikes, manpower and material shortages, and other complicating factors that are due to price control.

Some people profess to believe that there is some magic, perhaps, by the removal or the weakening of price control, by which retail stores could be immediately bursting with merchandise the minute price control is removed, that the factories at the other end of the pipe line of production and distribution of goods can produce at a higher rate.

I think it is relevant to consider briefly certain figures that I don't believe have been heretofore put in the record. Since VJ-day the total value of all goods and services produced in the country has fallen by a little more than 10 percent. That was to be expected because the war-production needs were so great we were working long hours and straining our productive capacity in many ways. But more important is the fact that the proportion of total goods and services available for civilian use has risen very sharply; in the second quarter of 1945, that is a year ago—about 58½ percent of the total goods and services were available for civilian use.

In the first quarter of 1946 it is estimated that the figure has risen to about 85 percent. In absolute figures about \$121,000,000,000 worth of goods and services were available for civilian use—that is on an annual basis—in the second quarter of 1945, and the rate was, for the first quarter in 1946, at the rate of \$155,000,000,000.

During that same period the total income of the people after taxes has stayed just about the same. In the second quarter of 1945 that amounted to 141.6 billion; in the first quarter of 1946 it was at the level of 138.6 billions; the people's savings have dropped, however, from \$41,000,000,000 in the second quarter—that is still on an annual rate—in 1945, to \$18,000,000,000 in the first quarter of 1946.

Consumer expenditures have increased, and by consumer expenditures I am including the ultimate consumer as well as the expenditures by business for equipment and inventories, and those expenditures have increased from \$100,000,000,000 to \$120,000,000,000.

Altogether this means that civilian production has expanded greatly while spendable incomes have remained about the same. Savings have dropped markedly, but consumer expenditures have gone up by

one-fifth. It seems to me this is a picture of a normal, healthy transition from war to a peacetime period.

Senator MILLIKIN. It indicates, does it not, that we are stopping up to some extent the excess purchasing power?

Mr. PORTER. That is correct, sir, by about one-fifth.

Senator MILLIKIN. I am sorry, I was not here when you first started in. You gave a figure of \$155,000,000,000—

Mr. PORTER. That is the annual rate in the first quarter of 1946.

Senator MILLIKIN. Of what?

Mr. PORTER. Of the production of goods and services available.

Senator MILLIKIN. What was it in 1941? Did you give that figure?

Mr. PORTER. I don't have the figure in 1941, but the second quarter of 1945 it was at the rate of \$121,000,000,000. I can get that figure and supply it for the record. It was much less than that, I am certain.

Senator MILLIKIN. I would appreciate it if you would put that in. (The figure, afterwards supplied by the witness, is as follows:)

OFFICE OF PRICE ADMINISTRATION,
Washington 25, D. C., May 10, 1946.

The Honorable ROBERT F. WAGNER,
United States Senate, Washington, D. C.

DEAR SENATOR WAGNER: In the course of my testimony before the Senate Banking and Currency Committee this morning I stated that the total value of the Nation's goods and services available for civilian use in the second quarter of the calendar year 1945 was estimated to be equivalent to an annual rate of about \$121,000,000,000, and that the corresponding figure for the first quarter of calendar 1946 was about \$155,000,000,000.

In response to a question from Senator Milliken, I said that I would supply the corresponding figure for 1941. That figure is \$107,000,000,000.

The figure of \$107,000,000,000 represents the total value of goods and services available for civilian use in 1941 at the then existing price levels. Since the average increase of prices since 1941 has been in the neighborhood of about 25 percent of the figures of \$107,000,000,000 for 1941 and \$155,000,000,000 (annual rate) for the first quarter of 1946 must be reduced to a common price base if it is desired to compare the physical volume of 1941 and the present. If the figure of \$155,000,000,000 for the first quarter of 1946 is converted so as to reflect 1941 prices it becomes about \$124,000,000,000. When compared with the 107 billion figure for 1941 this indicates that the physical volume of goods and services available for civilians in the first quarter of 1946 was at a level something like 15 percent above that of the year 1941.

Sincerely yours,

PAUL A. PORTER, *Administrator*.

Mr. PORTER. Much of the testimony has indicated that—has not been directed at total production, but rather has gone into specific commodities in particular, such as butter and shirts and lumber. I think it is important to bear in mind when you consider the production of those particular commodities, we are not talking about the level of total production, but about acute shortages of some particular things, some of which represent distortions in the production and distortion in the desirable pattern of distribution.

These distortions with the acute shortages of a few things which people seem to want is plainly evident. I would not deny that price control is responsible for these distortions, but I do maintain emphatically that price control is responsible only in small part; that the principal cause is chiefly the large excess of demand over the attainable production point, with the existence of the profitable use of manpower and facilities available today.

Senator TOBEY. Do you care to be interrupted?

Mr. PORTER. Any time.

Senator TOBEY. Again along the line of limited productivity and restrictive policies, would you feel very badly if this committee would vote to do away with MAP?

Mr. PORTER. I was going to cover that a little later.

Senator TOBEY. Go ahead.

Mr. PORTER. I think the record is clear in my opening statement that OPA has given convincing manifestation that since VJ-day we have and will do what we can to minimize such distortions by any means that are consistent with the preservation of general price stability.

The basic reason for these distortions is the inflationary situation, excess of demand over supply, and as long as that condition exists these distortions cannot be completely eliminated, it seems to me, without a complete regimentation of our whole economy and complete control which none of us obviously wants.

Now, the removal or weakening of price control, I think it is quite clear, will not help this problem, because what happens in a free market, what does it tell the businessman when demand exceeds supply?

It seems to me there are three things he can do to make money and protect himself against inflation. The most obvious one is to raise his price. The second one is to drop all items that are not returning a large profit, and concentrate on those that are. Finally, to buy up as much material and parts as is possible, even at advancing prices.

The history of inflationary movements after the last war and in other countries makes that quite clear, that with an inflationary situation the normal prudent behavior of businessmen in a free market would produce multiplication of these distortions of production that we have so many complaints about now. Even apart from the activities of those people who think they are smart enough to make speculative profits on the upswing and get out before it is too late, and apart from the myriads of new people, fly-by-nighters, who would come in for a quick clean-up, and in the process divert materials from the established concerns who have a long-range point of view.

Senator HICKENLOOPER. As a matter of fact, that exact thing is happening in many industries. New fly-by-nighters are coming in now and doing very well for themselves.

Mr. PORTER. Correct. I think some of the distortions we are talking about are due to just that factor.

Senator HICKENLOOPER. I am referring to the allegation I raised the other day on motors.

Mr. PORTER. Fractional-horsepower motors?

Senator HICKENLOOPER. Yes. A new manufacturer of electric motors can come in and get a price that is 20 or 30 percent—I think one was 50 percent—higher than the standard manufacturer with a historical record can get for standard merchandise.

Mr. PORTER. That was a mistake.

Senator HICKENLOOPER. Well, it was admitted it did happen. There are a number of items that have been demonstrated where new people come in to the market and get a price at which they can make money on their merchandise, while your traditional manufacturers of these products who have a history of the price are frozen at the old

price, plus some, they claim, very inadequate increases which in many cases do not equal the retail sales price given to the new fly-by-nighter.

Mr. PORTER. I think you have in mind the question of the fractional-horsepower motors.

Senator HICKENLOOPER. That is merely an illustration.

Mr. PORTER. We recognize, I am sure, that there is some conflict and some anomalies that are produced between our authorized price standard and the industrial earning standard, but I think those cases are probably exceptions; at least, I hope they are.

On the question of delays, which I think is the second principal point that has been made, as I have said to you before, there have been delays in price control, and I cannot say there won't be more; but I think we have shown we have substantially reduced the delays, and we are determined to cut them more just as much as humanly possible.

Senator MILLIKIN. What exactly are you doing about that in a mechanical way or an organizational way?

Mr. PORTER. Senator, there are a number of things that can be and are being done. The first and foremost thing, it seems to me, is the maintenance of an adequate staff of good people and then the use of the managerial devices that are appropriate to reduce work loads, to impose control systems, decentralization of pricing, automatic pricing, and self-pricing, in those fields where it would not put stabilization generally in jeopardy, streamlining of the gathering of data that is necessary on which to make a price decision, and then, finally, which I think is extremely important—and I want to talk a little more about it later—the decontrol of items that are either unimportant or that are safe to be decontrolled.

Senator MILLIKIN. I agree entirely, that is a very sound approach to the problem; but what, exactly, is being done about it?

Mr. PORTER. There are such obvious devices as these: We are strengthening our reporting requirement internally on matters that are pending more than 30 days.

Senator MILLIKIN. That has been done?

Mr. PORTER. That is correct. In addition to that, we have an internal committee that is operating on a general survey and review to determine where the soft spots are, what the reasons for delays are.

I think one of the most important aspects is the rational program of decentralization out to our field staffs.

One typical case is the building-materials program, where, under certain standards in a particular community, responsibility for final pricing of building materials rests right in the district office.

Senator MILLIKIN. And then a review to maintain some sort of supervision over your regional areas?

Mr. PORTER. Correct. I think that the techniques can be and have been improved.

Senator MILLIKIN. Do you have experts in the type of organization you are speaking of at work now on this problem?

Mr. PORTER. Yes, sir.

Senator MILLIKIN. Could you or someone here tell us who they are, what their experience has been, and what they are trying to do?

The reason I go into this, Mr. Porter, is every time the question of extension comes up we get these promises of reform, but apparently

nothing happens; so I am wondering—my question is exactly what is being done to achieve the reform?

Mr. PORTER. Well, of course, the established method when a new Administrator comes in is to set up a committee, but I have not done that in any formal sense; rather, in continuous staff meetings with heads of the operating department, have asked them for their analysis of the problem, with such help as I am getting from the Bureau of the Budget and from certain outside consultants whom I would not like to detail for the record just who they are without their permission, but we are giving constant scrutiny—

Senator MILLIKIN. I think if you would get their permission and give it to us, if they were men of outstanding skill in the matter, it would be a very heartening thing.

Mr. PORTER. I can assure you that they are.

Senator TOBEY. Have you made any changes in the top executives in OPA since you have come in there?

Mr. PORTER. No, sir; I haven't. I would like to say I was personally acquainted with most of the top people in OPA from my previous association, both with that agency and at the Office of Economic Stabilization; and I will say this: I have made certain requests of people to come into the agency, but during this period of uncertainty it is extremely difficult to get top people to either leave their business or transfer from some other activity.

Senator TOBEY. Have you found that there is a departure from OPA of good men because of apprehension over what will happen to OPA and the ambiguity of the statute?

Mr. PORTER. That is correct. The turn-over has not been as great as I would have anticipated, but many of the top people here in the national office, who have been with this program for several years, feel now that they have to get back to their own positions and are staying with the program just because of their own sense of responsibility; and I imagine that—well, as a matter of fact, the most difficult problem that I think I am going to face administratively when we get our legislation is the recruitment of capable personnel to fill some of the existing vacancies and to strengthen some of the branches and divisions where there has been a turn-over.

Senator TOBEY. You are fully acquainted with the fact that the testimony of critics of OPA, charging them with different things—but one of their chief complaints is that the men in OPA are not practical men; they are theorists, and so forth.

I have it in the back of my mind, through some of the men I have met, that the reverse is true; that a considerable majority of the men there are men who have come down here because they had practical business experience, who have been successful in those positions, and they come down here at considerable sacrifice to join forces with OPA as a patriotic duty. Is that correct—so far?

Mr. PORTER. It certainly is.

Senator TOBEY. And some of these men came down here pretty cynical about OPA in the beginning, or rather doubtful about it, even rather prejudiced against it, but when they got down here and saw the problem at first-hand, their attitude changed; is that correct?

Mr. PORTER. We have obtained the services of a number of capable people from our industry advisory committees. Mr. Gordon Rieley is a case I have in mind. He is now head of our Building Material

Division. He was on the advisory committee. He believes in this so strongly that he has divested himself of his business interests and has come with the agency to head up our part of the responsibility in the housing program.

Furthermore, it has been testified before this committee by Mr. Mallon, of the automobile dealers, that we had no personnel remaining in OPA who had any experience in the retail automotive business. I made a check on that, and I found we have one gentleman, by the name of Mr. William Harrington, who was a dealer for 21 years, a distributor for 17 years, and for 10 years was a director in Mr. Mallon's organization.

Senator TAFT. What is he doing now?

Mr. PORTER. He is a business specialist now.

Senator TAFT. I understand that most of these business specialists do not have influential positions so far as affecting OPA policy is concerned.

Senator TOBEY. Much has been made of the point that these men have very little influence. Do you care to go into that? My only purpose is simply to be fair. We want to be fair here with the public, and I do not like to see these things go unchallenged if they are not correct. We have had some wonderful businessmen in OPA. I know that for a fact. You have a man sitting here right now, Mr. Baker, that everybody says is tops for honor, integrity, and ability. So it goes. There are two sides to this thing. It is not all one way.

Mr. PORTER. I likewise had a check made, Senator, in our Lumber Branch. There are 17 employees in the Lumber Branch, with a total experience in the lumber business of 400 years.

Senator TOBEY. Does that include Peter Stone?

Mr. PORTER. No; Peter Stone is not with us now.

Senator TAFT. Did you not just appoint a business executive in the Lumber Branch—a new one?

Mr. PORTER. Mr. Stuart Ingram, formerly in the building materials business.

Senator TAFT. He never had any connection with the lumber industry; is that not correct?

Mr. PORTER. Mr. Baker could answer that.

Mr. BAKER. Yes, sir; he had a retail distribution yard which sold lumber and building materials on the coast.

Senator TAFT. He was a retail dealer in building materials; he knew nothing about the problems of the lumber industry or the pricing of lumber.

Mr. BAKER. Well, I think that we could say he had a general knowledge of lumber prices at the manufacturing and distribution levels.

Senator TAFT. Well, it was contended to me by people in the lumber business that he knew nothing at all about the lumber business.

Mr. BAKER. It is true he was not in the milling business.

Senator BUCK. Mr. Porter, you spoke of taking controls off of certain items and planning to take more off later. What is your basis or the formula which you use?

Mr. PORTER. We operate under a directive, Senator, that is known as directive 68. It consists of two principal sections; the first one, when the Price Administrator finds that the price of a commodity will not substantially increase, that commodity is eligible for suspension.

Senator BUCK. How does he determine that?

Mr. PORTER. Well, I can give you some examples. We have one pending at the moment on fish. There are large stocks of frozen fish. We look at the supply situation and the market conditions, and if it is the reasonable judgment that prices will not increase, then suspension action is taken.

The second part of the directive requires that in the event that products or commodities are not significant in living costs, or in business costs, and if the administrative work load in pricing such commodities—

Senator BUCK. Of course, that kind of things should never have been put under ceilings in the first place; but let me ask you about the oil industry.

Mr. PORTER. I have a statement on the oil industry which I would like to submit, but I can summarize it by saying this about our decontrol program, generally: We had a general schedule outlined, not in any formal sense, on decontrol. As I have previously testified, in heavy machinery and certain consumer goods items, we estimate that since February about \$10,000,000,000 in gross national product has been decontrolled, and we were going to decontrol a second round of capital goods and heavy machinery. We had an order to decontrol gasoline, but the coal strike has caused us to hold in abeyance further important decontrol actions, for this reason—

Senator BUCK. If you decontrolled gasoline would you not decontrol the whole oil industry?

Mr. PORTER. Not necessarily. There are a few of the oils which are scarce; some of the lower distillates. The Navy is having certain difficulties in getting its requirements for bunker oil; and with the prolongation of the coal strike, and as I am advised many industries can interchangeably use fuel oil and coal, the demand for fuel oil is such that we felt it was unsafe to decontrol oil.

Senator TAFT. I understood you to say you were not going to undertake it, anyway.

Mr. PORTER. No. We had a program also for decontrol of the entire petroleum industry—petroleum products.

Senator TAFT. Do you propose to put it into effect as soon as the coal strike is over?

Mr. PORTER. Well, not as soon as the coal strike is over; no, sir.

Senator TAFT. Well, how soon?

Mr. PORTER. I wouldn't want to put a timetable on it.

Senator TAFT. If the coal strike is the reason that you are holding it up, why not, within some reasonable period after the coal strike ends, go ahead and decontrol it?

Mr. PORTER. I stated the coal strike was the reason we withdrew our determination to decontrol gasoline.

Senator TAFT. Have you not created the scarcity of fuel oil by holding the price down on fuel oil while the other prices were more liberal?

Mr. PORTER. We have raised fuel oil 20 cents a barrel to bring it into balance.

Senator TAFT. Which they say is not in balance—the oil people say that is not in balance. You have raised it some, but why not take it off? Here is oil accumulating apparently—I can see that while the strike is on you would not want to do it—but why cannot all of it be decontrolled as soon as normal conditions return?

Mr. PORTER. I am hoping that it can be.

Senator TAFT. We are hoping it too, but why is it not necessary to do it under your own formula as you have heretofore stated?

Mr. PORTER. I will put it this way: I think I can give you a summary of this statement I want to put into the record with respect to the petroleum situation. In the case of fuel oils used for domestic purposes, the present price is approximately 16 percent above the 1941 price. As to industrial fuel oil the present price is at least 20 percent higher than 1941. It is our position that until the demand for all refined products is in normal balance there is a strong likelihood that extraordinary prices will be charged for those products which are in greatest demand.

Senator TAFT. If there is enough oil being produced, or more oil being produced than the demand—and that seems to be the evidence—then why not take it all off? What are these conditions that are so extraordinary, Mr. Porter?

It seems to me we ought to authorize decontrol into the law because you don't even follow your own principles that you state on decontrols.

Mr. PORTER. Well, Senator, we had a meeting of the industry advisory committee in Chicago, I think it was this week—no, May 3 and May 4—at that time we discussed with them the supply questions and the production schedules of principal refiners to ascertain at what point they themselves would say that their production was in balance.

When it gets to that point, whatever it may be, it will be eligible for decontrol.

Senator TAFT. Their testimony here is that it is in balance now, so far as the basic product is concerned. Whether it is going into one line of product or another is a question of your pricing, not of the supply, it seems to me. Is that not so? I may not understand the industry, but that is the way it would seem to me.

Mr. PORTER. No one uses crude oil. It is the products obviously that are made from crude oil.

Senator TAFT. There is no lack of manufacturing capacity for the product. There is no lack of raw material.

Mr. PORTER. We are concerned about what would happen to the price.

Senator TAFT. Well, prices would go up, because the normal laws of supply and demand will make higher prices for gasoline products than you are now allowing. If that is your standard, you are not going to decontrol until you are satisfied that prices are not going to rise—

Mr. PORTER. Rise substantially.

Senator TAFT. Well, rise—are not going to rise—then I do not think your formula is any good. I understood your statement over and over again to say that when supply is equal to demand then you are going to decontrol.

Mr. PORTER. Well, we take the position at the moment that supply is not in balance with demand with respect to certain of these products.

Senator TAFT. Well, of course, but that is because your prices are not right. Is that not necessarily the conclusion, if you have all the raw material and all the manufacturing capacity you need?

Mr. PORTER. No. I don't think it would follow. Industrial fuel oil demand is 31 percent above the 1941 level according to the data we have. We think the immediate lifting of price control would cause

industrial fuel oil to advance nearly 100 percent over the prices of this product in effect for 1941.

Senator TAFT. You mean, during the coal strike?

Mr. PORTER. Probably—

Senator TAFT. Conceivably during the coal strike, but supposing you say 30 days after the coal strike was over, what possible basis would you think there would be for any such increase?

Mr. PORTER. I hope we can make that finding and, if so, we will decontrol, but what we want to avoid is this immediate inflationary increase in the price of refined products and crude oil.

Senator TAFT. Supposing the supply is equal to the demand, how much of an increase in price do you think then should bar decontrol? Ten percent, 20 percent, or how much of an increase would then bar decontrol?

Mr. PORTER. I think the primary consideration there, Senator, would be to what extent the particular products or commodities were important in the cost of living and in business costs. I would not worry about strawberries or watermelons going up, but I am concerned about fuel oil.

Senator TAFT. It seems to me under your statement that you are only going to decontrol when you guess—although supply is equal to demand—you guess notwithstanding the price will go up, then I don't see that we will ever have any promise of decontrol. I think it is entirely in your arbitrary guessing judgment, and if the policy happens to be against decontrol then we will never have any decontrol.

Mr. PORTER. The policy is not against decontrol. We will resolve any doubt to the benefit of decontrol, because we have got to get out of this thing, so I would say this: That according to the recommendations that have been made by the Fuel Division, that had it not been for the coal strike, there was every prospect that petroleum and petroleum products would have been decontrolled sometime in June. How much longer it is going to be delayed, I don't know, but my hope, based upon the analysis we had at that meeting early in May, is that we can make a finding under the directive under which we operate sometime in midsummer.

Senator BANKHEAD. Mr. Porter, is the price of oil under normal conditions, competitive?

Mr. PORTER. Well, Senator, it is my opinion there is a definite relationship between coal and certain classes of fuel oils, that they can be used interchangeably.

Senator BANKHEAD. Well, I mean ordinarily, aside from the war or emergency conditions in price control, is oil as between different-producers, competitive?

Mr. PORTER. Oh, you mean oil, itself?

Senator BANKHEAD. Yes.

Mr. PORTER. Oh, certainly. Certainly.

Senator BANKHEAD. Then the point I am not satisfied about is, if that is true, and your supply exceeds your demand, why would your price go up when you decontrol?

Mr. PORTER. As I have undertaken to state, it seems to me when you get particularly your middle distillates, your fuel oils, refineries and pipe lines in production, where we can see that normal competitive conditions will take care of the situation, then we are ready to move on decontrol, but to state at this juncture where there are these short-

ages, where we have had a fuel shortage, that because the basic product, crude oil, is in abundant supply and because we have adequate refining capacity, that it would therefore follow that we should decontrol, we don't believe it is safe to do it at this point.

Senator BANKHEAD. Well, if you have all the factors prevailing that do prevail in fixing price, or in controlling the price of fuel oils, under normal conditions if we have them again after the strike is over, the point is why do you think the price would then go up?

Mr. PORTER. Well, I would expect on the information that I have received that there might be some temporary flurry, but as you have pointed out, it is a highly competitive industry and we think production will take care of it.

As I have stated, had it not been for the coal situation——

Senator BANKHEAD. Oh, I realize the strike upsets everything.

Mr. PORTER. It was my expectation that crude oil and refined products would have been decontrolled in June. It may be mid-summer or sometime thereafter, but certainly before fall it would be my expectation that that action would ensue.

Senator BANKHEAD. Well, I have no special interest in oil or having it decontrolled. The point I am trying to get at is your philosophy about it.

Senator BUCK. I think it would be a good thing to get this control off of oil during the summer months and let it find its level according to supply and demand before the winter sets in.

Mr. PORTER. As I say, I am hopeful we can make a finding that will be possible.

Senator BUCK. It seems to me it should be within the next 3 months. If you take controls off in the summer your supply would increase.

Mr. PORTER. You mean your inventory of heating oil?

Senator BUCK. Yes; whereas, if you take it off in winter it possibly would not.

Mr. PORTER. I am hoping we can, we definitely intend to, but I am hoping that any statement I have made here is not construed by the industry to the extent they will begin withholding supplies from the market in anticipation of decontrol.

Senator MILLIKIN. Mr. Porter, I am disturbed at the implication in your colloquy with Senator Taft. When you operate in a free market you always have internal frictional points between various products. You don't always have strikes, but you frequently have influences that put coal down or put coal up, or put oil down or put oil up. Those frictions and dislocations are a normal part of business and the restoration of coal production restores the disequilibrium that existed before. That is a normal part of business. If you are going to sit down and say that we won't free any article until, looking into the future, we can see it is not going to be subject to normal dislocation of that article when free, you are never going to free that article from control.

Mr. PORTER. If I gave that implication, Senator, I did not intend to.

Senator MILLIKIN. I thought that was the gist of your answer to Senator Taft.

Mr. PORTER. What I meant was that if there would be—first addressing myself to the question of the normal dislocations and distortions that result, I think that we would all agree that we are in an abnormal situation and have to use emergency measures to

minimize the impact of any particular action that would further the abnormality that exists.

What I intended to say was that if we can find that there is a reasonable prospect that there will not be inflationary increases to the extent that would jeopardize the general policy of stabilization, we can take it off.

Senator MILLIKIN. You mean dislocations in addition to or greater than those which might normally occur in the business when it is in a free economy; is that what you mean?

Mr. PORTER. Correct. I would not be disturbed about a flurry in the gasoline market.

Senator MILLIKIN. You will always have them.

Mr. PORTER. That is right.

Senator MILLIKIN. You will always have flurries in the fuel-oil end of the game and in the lubricating end of the game and in all the end products, but in a free economy that takes care of itself.

You said, quite correctly, a while ago, I am speaking somewhat categorically on this because I have had considerable experience in the oil business, you said a while ago, quite correctly, that there is a relationship between coal and oil. There is, not only in the industrial fuel-oil market, but in the domestic consumer end of the market, but that corrects itself in normal times through supply on the oil side—supply and price on the oil side, and supply and price on the coal side.

We have had an enormous increase in coal burners in the home because we allowed, in the oil business, our fuel oil to get too high. When that gets too high people put in coal burners and it is automatically corrected—well, not automatically corrected, but roughly speaking, it is automatically corrected, and coal corrects it.

I will admit in this kind of a situation you have got an extraordinary situation, but you always have extraordinary situations in the oil business in normal times, and as I say, these correctives of the business over the long term take care of themselves.

But I am very much disturbed at the repetition of testimony that we have here that before you decontrol you take a long look through the future and if you see some little dislocation ahead that might interfere with prices, you are not going to decontrol. You will never decontrol under those conditions.

Mr. PORTER. I don't think that is the policy, Senator. It certainly is not our intention. Insofar as we can determine, these explosive forces we are considering will not precipitate undue price rises and distortions. I think we have got to make that finding on this particular period and we are going to take some chances on it.

✱ I think what we are getting at is the basic dilemma of whether we should have a legislative formula for decontrol or whether there should be broad discretionary power on behalf of the agency that is responsible.

Senator MILLIKIN. Well, I would infinitely prefer not to have a legislative formula, but the repetition of these replies jars me considerably in that philosophy. We will never get decontrol if we are going to try to look down through the future and anticipate periods of dislocation. Industry in a free economy manages those things itself.

Senator TAFT. Also, Mr. Porter, what concerns me is that I believe—I may be wrong—but certainly some economists agree with me that

we are holding prices now at a level below a normal price. If that is so, the moment they are returned to supply and demand, they are bound to rise. Oil will rise. Gasoline will rise in my opinion perhaps 1 or 2 cents, inevitably, not because there is not enough gasoline, but because you are holding it to an abnormally low price, and supply and demand in a free market will make a higher price.

Mr. PORTER. I don't know what a normal price would be, Senator. We are in the business of stopping what would be an abnormal price in this situation.

Senator TAFT. I am basing it on the assumption that demand equals supply and even at that prices will rise, particularly higher prices for coal which are inevitably before us, I think you are going to face a price rise. I think your whole price structure is below what might be said to be a sound price relationship to wages and other costs.

So inevitably every product, when you decontrol it, in my opinion, is going up some. I am anxious to know if you think that is going to bar decontrol after you, yourself, have created a condition—I don't mean you, yourself, I mean OPA——

Mr. PORTER. Well, it seems to me, Senator, that what you have said indicates that Congress has got the responsibility for determining to what extent prices are going to rise during the next year. Should we have them go up 4 percent, 5 percent, 10 percent?

Senator TAFT. We do not have that responsibility at all. All we say is that when demand and supply are in reasonable relationship, the price made by demand-supply should be the price and not your price. That is all.

Now, I am afraid, however, if that is true, and I think it is true, I am afraid the fact that all these commodities will face some price increase is going to deter you from ever decontrolling anything.

Mr. PORTER. I don't think the record of the Agency indicates that since VJ-day.

Senator TAFT. What have you decontrolled—5 percent of the actual total production.

Mr. PORTER. No. I think about \$10,000,000,000.

Senator TAFT. And there was \$200,000,000,000 in the national product.

Mr. PORTER. Yes.

Senator TAFT. So you decontrolled 5 percent. Well, what is that? The nonessential items are 10 percent of 20 percent. So I would not say there had been any effective decontrol up to date, as far as the relative volume of relationship is concerned, with total production.

Senator HICKENLOOPER. Mr. Chairman, may I ask this question?

The CHAIRMAN. Yes.

Senator HICKENLOOPER. Mr. Porter, I would like to read you some record that has been made in the past statement of policy. I do not know that I can read what you have said in any of these statements, but you have not been Director for very long.

I call your attention to the fact that Mr. Bowles who was then Director, before the Small Business Committee in December 1945 said [reading]:

Save in a period of emergency price ceilings have no place in a free economy. We shall remove them product by product as soon as it can be done without inflation.

He does not say anything about the price rise.

Mr. Bowles said in January 1945 before the American Management Association in New York, and I quote:

But there will come a time when supplies again begin to approximate demand. At that time price controls will be eliminated first from one field and then from another.

That is the end of that quote.

This is reported in *Vital Foods* in the issue of January 31, 1946 [reading]:

Price control should and must be removed as rapidly as supply conditions permit. In industry after industry during the next 12 months, we will find supply and demand coming into balance. As that occurs I assure you your Government will move promptly to eliminate the last vestigate of price controls in these industries.

Nothing said about price rises; merely when supply and demand equal each other.

Mr. Snyder, Director of Reconversion, said this before the House Committee on Banking just a short time ago, in February 1946 [reading]:

They—

meaning price controls—

should be dropped on each product as soon as supply is in reasonable balance with demand.

I have a number of other discussions. Secretary Anderson agrees with that, as far as department heads are concerned. I shall not quote any more of them, but they all go to the point of when these controls will be taken off, and I find running through all the statements last year of Mr. Bowles, Mr. Snyder, and the various governmental heads, the statement it is a question of adequate supply to meet a reasonable demand as the test when decontrols take effect.

They have emphasized time and again they will do it product by product and industry by industry. Now, I don't see that that squares at all with your philosophy.

Mr. PORTER. Would you interpret it as irrespective of price consequences?

Senator HICKENLOOPER. No; I would say this, that the question of substantial inflation in that field might be a matter of question, but the question of a normal economic price fluctuation to reach a proper price in the industry—manifestly, if you start to decontrol an industry product by product, in that industry, if the price goes up on that particular product, then the industry will devote its time to making that product.

So I think you have to take a pretty broad view of this thing.

I was somewhat startled a while ago when you said you were going to decontrol gasoline without decontrolling the other oil products. Everybody will stop making lubricating oil, if you don't let industry balance itself according to its need.

But I see nothing in these discussions the last year or so that the public officials have made about price control except the theme running all through the thing that when supply of products approximate demand, that they were more anxious than anyone else to decontrol them, yet they are not decontrolling them.

Mr. PORTER. It seems to me there are two things that must be considered. First, the background against which those statements

were made. At that time as you undoubtedly recall, we expected a rescission after VJ-day, with severe cut-backs and all the collateral factors.

Senator HICKENLOOPER. Well, that does not affect the principle.

Mr. PORTER. It doesn't affect the principle except there is a far more difficult situation today than anybody envisaged.

Senator TOBEY. Well, that is like the fellow that wanted a divorce from his wife. The judge said, "Didn't you take this woman for better or worse?" He said, "Yes; but she is worse than I took her for."

Senator HICKENLOOPER. I think there will be a period of fluctuating, speculative, and uncertain prices in many products. They are bound to have to find their own economic level and get in balance. You are going to have some fluctuations, but you are going to have it sometimes. I don't care if you keep it 5 years more, you are going to have to face it sometime.

Mr. PORTER. I would say our job both with respect to subsidies and decontrol is going to be one of the most intricate and ticklish timing proposals I can conceive of.

Now, the Brown amendment on the House side, I think puts into legislative language the policy or the philosophy that you and Senator Taft have been espousing and that is entirely acceptable as far as I am concerned.

Senator HICKENLOOPER. What philosophy is that?

Mr. PORTER. It uses a supply-and-demand criterion, plus the question of inflationary consequences which I would distinguish from any price consequences. It doesn't lay down any precise formula.

Senator HICKENLOOPER. No; I did not say in spite of any price consequences. I said a moment ago that I thought it was a reasonable consideration to take into account inflationary price rises, but I do not consider normal fluctuations of price up and down in a free economy as necessarily inflationary.

Mr. PORTER. I fully agree with that.

Senator HICKENLOOPER. It is an economic balance situation, and it is not at all inflationary.

Mr. PORTER. I fully agree with that.

Senator HICKENLOOPER. I think there are many other factors, but I disagree that there is an inflationary tendency of any real proportion in a product or any line of production where supply is admittedly adequate to meet the needs and demands of the people.

There may be price fluctuations in the field, but those will not be inflationary. There may be some sharp jumps in the curve for a few weeks, until it settles down to its normal relationship, but no inflationary tendency such as you have to fear in this period where we have a short supply and a big demand and inflation comes in on a bidding up by the public of one thing against the other to get that product that they cannot otherwise get.

Mr. PORTER. I would subscribe to that.

Senator HICKENLOOPER. Then I say that is the time to decontrol when that situation exists. This strike situation poses a little different problem.

Mr. PORTER. That is correct.

Senator FULBRIGHT. There is a similar question involved in this question of chickens and poultry. Some time ago I wrote to the

Director to inquire about poultry, and it is my understanding that they did decide to decontrol poultry. Poultry was then below ceiling, slightly. That is, live poultry. About the time—I think within a few days before the order was to become effective—there was an increase in poultry prices up to the ceiling and they did not put into effect decontrol.

One circumstance is, as I understand it, there are about 360 million pounds of poultry in storage—roughly that amount. The reply I got from that office, if I recall it, was that it is true there is that large supply, but it seems people prefer fresh or live poultry and it had gone up and therefore you could not decontrol. Is that correct?

Mr. PORTER. That is my recollection of the facts. Mr. Baker could tell you better.

Mr. BAKER. It is true. I think the Senator's statement is correct.

Senator FULBRIGHT. It seems to me that is not quite logical, if there is this enormous supply. It is somewhat like oil. There is an unusually large amount in storage, but because people prefer this one item it may go up; still this supply of frozen poultry would certainly have a stabilizing effect on the rise of the fresh poultry.

It might go up temporarily a little ways, but they would soon adjust their taste to this frozen poultry. If there is a large supply they would get enough poultry.

Senator HICKENLOOPER. May I suggest to the Senator from Arkansas that could happen in any normal peacetime economy without an increase in price. People could store up a lot of poultry in storage.

Senator FULBRIGHT. The existence of the frozen poultry, it would seem to me, would equalize things.

Senator HICKENLOOPER. There is a point beyond which they won't pay a premium for fresh poultry. That is correct.

Senator FULBRIGHT. I think it is somewhat like the cotton industry. The fact that there is a large supply of cotton already in existence—

Mr. BAKER. The additional fact here is, however, that the price of frozen poultry did not decline and, therefore, did not have the effect which it might well have and may soon have. In other words, frozen poultry being held more or less on a speculative basis in the hope of better prices later certainly had the impact on the market which it would not have had, had it been offered freely. We believe that with the end of the deficit season in poultry, around the middle of July, we should begin to see offerings from that frozen stock, and your point on that, and the other Senators', is of course, correct, that this will have an effect which will tend to hold fresh prices down.

I would say we ought to find ourselves able to decontrol poultry about the end of July. I would say that opportunity would certainly be present if we get a culling of poultry flocks, which agriculture expects from the recent increase in grain prices.

Senator FULBRIGHT. Mr. Porter said he did not care about strawberries. Well, he did care until recently. It happens that both watermelons and strawberries are produced around my home in Springdale, Ark.

After you took off your ceiling the first jump was \$15. Within 10 days they were down to \$6, whereas the ceiling in that area was \$8.80. I admit that is quite different from more substantial commodities, but I believe poultry really would run very similar to that. You were frightened by this slight increase. Up until 10 days before that

went into effect it was below ceiling. It did take a little flurry for some reason. I think you had already agreed, not publicly, but the agency had agreed, to take it off.

Mr. PORTER. That is correct.

Senator FULBRIGHT. You were frightened by that slight increase, but in poultry you have this reserve, this enormous reserve, I think of 360,000,000 pounds—that is quite an unusual supply of frozen poultry, much larger than normal. That is a thing you could count on, but you get frightened by these little fluctuations in price.

Senator TAFT. I do not understand this dead-chicken business. Chickens must be as numerous now as by the 1st of June. You have got as good a supply as you will ever have.

Mr. BAKER. The big supply of chickens will begin around the first or second week of July in the Middle West.

Senator TAFT. In July you will begin to see a shortage. Why not let them go up for a little bit and bring them down? As you know, you can produce broilers in 8 weeks.

Senator FULBRIGHT. It is a 12-week minimum if they are any good.

Senator TAFT. We can do it in Ohio in 8 weeks.

Senator TOBEY. What do they weigh in 8 weeks?

Senator FULBRIGHT. They only weigh about a pound and a half. Senator Taft is talking about squabs, not chickens.

Senator TOBEY. It is just as well you have a heavy supply of poultry in storage. They are going to pay by the nose for those products. They are going to be nonexistent, if things keep on the way they are now.

Mr. BAKER. That is true; but I think the Senator's statement is well taken when he says we must not be looking too far ahead for some good reason not to decontrol. I think we will agree it will take a long time if we can always find some reason why we should not do it. But I think our Agency's policy is that we will have to take a shorter-term view and be prepared to resume controls if they do get out of line too far.

Senator FULBRIGHT. That is a much better policy. This situation in poultry seemed an ideal one. You are unlikely to get a better situation than that, with the large supply of the same material in storage, for decontrol. Contrasting that to the type of durable goods of which there is such a great backlog, automobiles and things, I can see there is an accumulation of demand which is not true in food products.

People are not going to eat all they didn't eat in 5 years.

Senator McFARLAND. Mr. Chairman, are we going to vote on Senator Fulbright's version of how long it takes to produce a broiler and Senator Taft's version? What connection is that going to have with this problem?

The CHAIRMAN. Well, let's do that in executive session.

Mr. PORTER. Well, I had gotten down to my third point, Senator.

The CHAIRMAN. Very well. Let's go ahead.

Mr. PORTER. Talking about the question of inequities.

A large part of the testimony apparently boils down to the proposition that the mere existence of price control or the statutory and administrative standards used result inequities as between different firms, different groups, and different industries.

Now, the various ideas of inequity expressed or implied in the testimony were, of course, often quite conflicting.

To attempt to act on the basis of all of these ideas of inequity would produce highly inconsistent and chaotic results.

Senator MILLIKIN. I hate to interrupt you, but I would like to get an airtight promise out of OPA to decontrol poultry. Will you decontrol poultry?

Mr. PORTER. I would like to say, in response to that, Senator, that if I could just consider poultry alone I would be willing to make a deal with you, but there are a number of other things besides poultry, with their impact on our general cost-of-living index; and I think it is important, in connection with the announcement that was made of the new grain program day before yesterday, I think, that short culling of poultry flocks, beginning immediately, is needed, said the Secretary of Agriculture, to conserve grain for direct human consumption. Since January 1 there has been no normal culling; and the immediate need for grain is greater than the need for eggs. Fifteen pounds of grain is enough to feed three or four nonproducing hens for a month. We have to have this grain to prevent starvation abroad—

Mr. FULBRIGHT. I think the record ought to show that chickens are much more efficient in changing grain into calories for human consumption than a beef cow is. You get just as many calories out of the same amount of grain, in eggs, in a much shorter time, than you do in beef. I think the record ought to show that. If you are going to cut down, you ought to cut down on the beef first.

Senator McFARLAND. I thought that as the time came around to 12 o'clock we would get to beef.

Senator HICKENLOOPER. Beef has been up for a lot longer than that.

Senator MILLIKIN. I would like to get a definite promise from Mr. Porter to get something out of OPA before he leaves here. No fancy answers, now.

Senator TOBEY. We will compromise on poultry.

Mr. PORTER. I have an action on my desk relating to lentils.

I was talking about the questions that have been raised as to the inequities resulting from price control; and any attempt to act on the basis of all of these ideas of inequity would produce highly inconsistent and chaotic results.

But, passing that, it is true that there are bound to be some inequities under any system of price control. OPA can and does take care of a lot of them. We think that the statutory standards and our administrative standards do correct the major inequities. Our record shows that we want to go as far as we can, consistent with preservation of stabilization, to correct inequities. Although this will not eliminate all inequities, they will be far less than the inequities that would attend an inflationary boom and bust. The inequities existing under price control are a small price to pay for insurance against the major inequities or inflation and its aftermath.

I might say in that connection that we felt after the new wage-price policy, in mid-February, that a major part of our pricing activities on industry bases, both in the reconversion and transition industries, would have been accomplished sometime in mid-June. After that our staff and our resources could be concentrated on adjustments of the inequities that have been developed in this record. So, therefore, I am constrained to say that any major change in pricing standards, legislatively, would throw a tremendous burden of repricing on the

agency, and would not permit us to divert our energies and resources to taking care of many of the individual inequities that might exist.

Senator TAFT. Would it not be correct to say that if you eliminate industry inequities you would by that action eliminate individual inequities, or cut them down very much?

Mr. PORTER. Yes; and for that reason we have concentrated on industry-wide action, because you can achieve more by one single action in that way than you can perhaps in a thousand individual adjustment actions.

Senator TAFT. Supposing we said that the existing prices shall stand until people come and have a hearing and ask for adjustment, so that there is not a job of adjustment put on you if the prices are reasonably satisfactory: if we set up a different standard and make it clear that that does not go into effect automatically, but only when the Price Administration investigates and finds it is better, perhaps, than was had under the present standard, why would that make any more work? You are considering these cases anyway, and all you have to do is to consider them on a somewhat different basis.

Mr. PORTER. We have disposed of a great many of them.

Senator TAFT. But, in many cases, you have disposed of them unsatisfactorily.

Mr. PORTER. I do not think so, Senator. It seems to me that our present standards, using 1936-39 as a base for the industry standard, have brought out a very favorable climate for production.

Senator TAFT. I disagree with you. Perhaps you have not applied the standards correctly; I do not know about that. But the case that impressed me the other day was this evaporated-milk case.

Mr. PORTER. That impressed me, too.

Senator TAFT. Are you doing anything about it?

Mr. PORTER. Yes, sir. I would not like to go into the details at the moment, but an action is pending with respect to evaporated milk.

Senator TAFT. An action has been pending for 6 months or a year, but that does not get anywhere. You mean, you have something about ready? Is that right?

Mr. PORTER. Yes, sir; and it will be done on evaporated milk. It will probably go to the Secretary tomorrow.

Senator TOBEY. I think I probably express the feelings of most of the members of the Senate in saying that we have communications from our constituents who are in industry, large and small, and who bring before us through letters or telegrams cases which they feel are unjust to them and which we transmit to you by letter setting forth the situation. Quite a length of time elapses before we receive a reply. It seems to me that as Administrator you could have some kind of a review board there to work these things out so that we can get an answer back within a reasonable time. Sometimes it takes a very long time.

Mr. PORTER. We have an internal regulation that is typical of many executive agencies, that congressional mail shall be answered within 3 days. That does not always work, of course; but with the staff we have I think the latest report I saw was that we were getting upwards of 1,500 congressional letters per week. I would like an opportunity to correct this figure if I am wrong about it. Many of those letters require special analysis. They raise a variety of prob-

lems. We have to make special efforts, and I intend to do what I can to strengthen that, to see that there is prompt response. But it is a problem that I feel will never be solved satisfactorily.

Senator TOBEY. It will probably never attain perfection. It seems to me it would be helpful to you as well as to us to have prompt replies.

You stated a sort of credo a few minutes ago, that "we believe" something about the effect of prices on dangerous inflation. I wish you would repeat it. It was a short paragraph. It was rather an unusual paragraph, and I would like to have it repeated.

Mr. PORTER. Was that with respect to inequities?

Senator TOBEY. I think so.

Mr. PORTER. I will just use this as notes. I think what I said was that it is true that there are bound to be inequities under any system of price control, but we believe that OPA can and does take care of a lot of them. We think that the statutory standards and our administrative standards do correct the major inequities. Our record shows that we want to go as far as we can, consistent with preservation of stabilization, to correct inequities. Although this will not eliminate all of them, they will be far less than the inequities that would attend an inflationary boom and bust. The inequities existing under price control are a small price to pay for insurance against the major inequities of inflation and its aftermath.

Our final point was that the testimony here has developed a variety of conflicting views concerning the danger of inflation, among which are these important ones:

First, that the termination of price control on June 30, 1946, or a few months later, would not result in inflation, because competition and the law of supply and demand would hold prices down.

Secondly, that inflation is already here and OPA cannot stop it, the only effective means being fiscal and monetary measures.

Thirdly, that while there is danger of inflation in the coming months and price control must be maintained for a few months at least, OPA should remove particular ceilings as soon as production of the particular products reaches some arbitrary figure, whether or not there is still a marked shortage.

Finally, that there is serious danger of a bad inflation in the coming year, and a strong law and effective administration is necessary to prevent it. In its decontrol and price policies OPA has become too loose for safety and is losing control of the situation.

Those who maintain that there is no danger of severe inflation in the coming year are either ignorant of the facts of life or prefer to adopt an ostrichlike attitude of sticking their heads in the sand.

I do not think there is any disagreement among the members of this committee that neither competition nor the law of supply and demand has ever held prices down when there was an inflationary excess of demand over supply as there is today and will be for some time to come. If price control were removed or weakened, the only question would be how much inflation would occur and how long it would last before the inevitable collapse brought it to an end.

Senator MILLIKIN. Would you mind repeating that?

Mr. PORTER. I said that there are those who maintain that there is no danger of severe inflation in the coming year. As I see the temper of this committee, there is none here who is not completely aware of

the situation. I stated, also, that neither competition nor the law of supply and demand has ever held prices down when there was an inflationary excess of demand over supply, as there is today, and that if price control were removed or weakened, the only question would be how much inflation would occur and how long would it last before the inevitable collapse brought it to an end.

The contention that inflation is already here and that OPA cannot keep it from going a lot farther flies in the face of demonstrated facts. In the past 3 years it has been shown that ceiling price control can prevent inflation in the face of enormous pressures. Certainly it can continue to do so in the year ahead of us, when inflationary pressures will be declining.

Senator MILLIKIN. I contend that your price controls have not controlled wherever there has been a real pressure against the line; and for proof I submit all of the areas where there are black markets.

Mr. PORTER. I think that there is a question where I would say it was not too much, but too little OPA control. I do not say you can use the mechanism of price control as the single instrument when there are these acute shortages, to maintain stability, but I would certainly say that on basic commodities, and certainly in the industrial field, the record is eloquent with evidence that the line has been held. In spite of all the devices that are used for evasion, we have held the line as to rents fairly stable during this period.

Senator TAFT. I disagree with your basic philosophy that inflationary pressure is going to be less this year than last year. I have always felt that you cannot impose price control in peacetime. In wartime, yes. But in peacetime your problem is infinitely greater, even though your inflationary pressures are less. You say, more enforcement. It is going to be just like more enforcement for prohibition. The more enforcement the more black markets. That is what is happening in many industries today. I am in favor of continuing control, but where you try to hold it too tight it is impossible to enforce. You can have all the force you want, a million people, if you want them, but you will not enforce it.

Mr. PORTER. I am worried more about our flexibility in this period than I am about our inflexibility.

Senator TAFT. I am not. That is my primary worry. If I thought you were at all flexible in any way I would be for continuing it without question; but you are not. The Price Control Administration has determined on its theory that there is a proper level of pricing, and it keeps it there. It is not a proper level, to begin with.

Mr. PORTER. As I have stated, in the few months that I have been in this situation and have looked at the records and discussed the problems with my associates, I think it would have been by the sheerest accident if on V-J-day the price structure had been in perfect balance. That obviously did not occur, and we have made literally thousands of adjustments. I think the record shows some 565 industry-wide adjustments since VJ-day.

Senator TAFT. You are still boasting that the cost of living has not increased 1 percent. It comes out of somebody. It comes out of the manufacturer or distributor or somebody. Are you not still boasting that the cost of living has not increased more than 1 percent over what it was on VJ-day?

Mr. PORTER. According to the Bureau of Labor Statistics' cost-of-living index, the latest figure was seven-tenths of 1 percent above VJ-day.

Senator TAFT. Although wages have gone up per hour over 20 percent and costs generally have increased. That has to come out of somebody.

Mr. PORTER. Not necessarily.

Senator TAFT. Yes. Where could it come from?

Mr. PORTER. Bigger production; more efficient methods of production.

Senator TAFT. Both of them are negligible in their effect on cost. You have taken it out of the manufacturer, the wholesaler, and the distributor. I say that regardless of the justice of that, it creates an abnormal price, one that is not a natural price, one that is difficult to maintain. It is not flexible to the extent of adjusting price increase to cost.

Mr. PORTER. We are required to do that under our standards, and do do it.

Senator TAFT. You do not do it as to particular products. Will you state your present standard? Not on reconversion industries, but normal industries, that vary. Will you state it again for the committee?

Mr. PORTER. If you will pick a particular industry—

Senator TAFT. Take oil; take any manufacturing industry. I do not want to get this reconversion problem into it, but take some industry that supplies normal products, like work gloves, we will say. What is the standard for the manufacture of work gloves today?

Mr. PORTER. For the industry as a whole that their price will be such as to reflect a profit on the 1936-39 base.

Senator TAFT. In that case you insist that they shall not today make any greater percent on their invested capital. Is that what you mean when you say profit?

Mr. PORTER. On their net worth.

Senator TAFT. Although that may have been 3 percent only. There was a very low period at that time in many industries.

Mr. PORTER. If it was an abnormally low period, we have policies that take care of that.

Senator TAFT. I understand that you have not got those policies. I have been told by two people that when they pointed out the situation in relation to the excess profits tax law, they were granted no relief.

Mr. PORTER. We have ordinarily used 1936-39, but there are cases where that has been demonstrated to our satisfaction not to be representative, and in those cases, which are few, we have used another period.

Senator TAFT. You are holding the pig-iron industry down today because it had a low period in 1936-39, about 3 percent on their capital. That is an absolutely abnormal price. That is not a natural price; and if there were any inflationary pressures and you were to take off price control, that price would rise.

Mr. BAKER. With respect to your work glove illustration, after having seen that the earnings standard which Mr. Porter has described as satisfactory to the industry, we then, in addition to that, will apply the transition product standard which has been described to the

committee earlier, which says that on a product, even though the industry as a whole has satisfied the earnings standard, we will permit the recovery of total cost.

Senator TAFT. That is very generous, but absolutely abnormal. It is out of line with business practice. Nobody makes anything on cost.

Mr. BAKER. If I may just finish this with respect to work gloves, we then come to an item which is a low end item and which certainly should come in the essential class. So that, with respect to work gloves—

Senator TAFT. What do you mean by "low-end item"?

Mr. BAKER. I mean one which is produced at the low end of the range of prices and which, therefore, is one which is bought by those who are least able to pay high prices. In any case where we want to bring out production of lower priced items we then allow a profit on the product rather than merely total cost. It happens that work gloves are in the same status as many other items in the low price apparel field.

Senator TAFT. I talked to two manufacturers yesterday who said that they had been selling work gloves at a complete loss in the last 3 months.

Mr. BAKER. That is right; but I think we ought to say that our whole approach was begun about 3 years too late.

Senator TAFT. Three years ago we had an argument with Mr. Bowles and told him exactly that that is what he ought to do. Over and over again the committee has said that that is what he ought to do. Now you say it is 3 years too late. But we had that argument and nobody ever answered it, and somehow the low-priced products were always held away down and the high-priced products were permitted to go up.

Mr. PORTER. I think it should be stated that in the transition period there is reason for changing the policy.

Senator TAFT. May I sum up, if I may? In the first place, you take a base of 1936 to 1939, for which I never thought there was the slightest justification in the law, and you say that if an industry earned only 3 percent in that period, that is all it can earn now.

Mr. BAKER. That is the minimum that they can earn. It has been our experience that in almost every case the application of that standard has resulted in higher earnings.

Senator TAFT. That is your goal, 3 percent, if that is what they earned in the 1936-39 period.

Mr. PORTER. That is the floor.

Senator TAFT. You have modified that today, and you say that on any product, if the price of that product does not return cost—liberally figured now in contrast to what it was before—you will raise it to cost. If for some reason you want to increase production in a particular case, you give them a profit.

Mr. BAKER. In the machinery field the product-line adjustment is a total-cost adjustment; an adjustment on an individual basis if the company that is in the machinery field returns a profit. In the case of work gloves the action which will be effective on May 15 is that the low-end type of product will provide a profit. That is typical of our whole clothing control and has been for the past 9 months.

Senator BANKHEAD. There are at least two bases for ascertaining the percentage of profit: One is the net sale basis, and the other is the net worth basis. Is that correct?

Mr. PORTER. Yes, sir.

Senator BANKHEAD. You use one or the other. You do not use the same one uniformly, do you?

Mr. BAKER. Yes, sir. The general rule is to use the return on net worth. We only use the return on sales where for some reason the net-worth principle is not applicable. A good example would be in the mining industry.

Senator BANKHEAD. The net sale basis was the basis adopted by business and accepted by the Internal Revenue Department before the establishment of the OPA, was it not?

Mr. BAKER. I am sorry, sir; would you mind repeating that?

Senator BANKHEAD. I say, the net sales basis was the usual basis for determining the percentage of profit for the business interests of the country and accepted by the Internal Revenue Department before the OPA created a new basis which you call net worth; is not that right?

Mr. BAKER. No, sir. That is not our understanding of it. The Internal Revenue Department looks at the total dollars of profit which a corporation may make.

Senator BANKHEAD. That is net sales, is it not?

Mr. BAKER. No; dollars of profit without any reference to percent. It then says: "We will take away from you as taxes a certain percentage of your profit." The question of sales only enters into it for the purpose of determining the difference between total cost and sales, which is the profit figure which Internal Revenue uses. The question of relating the amount of the tax to some other period did not arise except prior to this year with respect to the excess-profits tax.

Senator BANKHEAD. It has been testified here that this net worth basis was created by the OPA to fit the pricing system which the OPA has set up.

Mr. BAKER. That is correct, sir.

Senator BANKHEAD. So that is a new basis with which the public is not familiar and has not been using.

Mr. BAKER. This problem does not arise in tax matters, because we are only dealing there with the question of how much of this year's income is going to be taken away from a company or individual for tax purposes. What we are trying to do here is to make sure that prices, when increases in cost occur, will not result in prices which will fail to yield a normal base for earning. The period of 1936 to 1939 was used because it was a representative peacetime period in most cases.

Senator BANKHEAD. I do not think it was in cotton textiles.

Mr. BAKER. It may not have been in many cases; and in those cases we ought to change it.

Senator BANKHEAD. But you have not done it.

Mr. BAKER. In our opinion, it is representative for cotton textiles. But the matter is academic, because they are earning many times more than in that period, now.

Senator BANKHEAD. I do not agree to that—not on cotton.

Mr. BAKER. It is the cotton-textile industry that I am referring to. The record discloses the actual price figures.

Senator TAFT. Can you comment on pig iron specifically?

Senator BANKHEAD. Let me ask him one other question. The net worth basis figures almost uniformly are higher than the net sales basis figures?

Mr. BAKER. The question of the percent is not of great interest to the business. They are interested in what profit they are going to make in dollars.

Senator BANKHEAD. But you people generally have referred to the percentage of profit that industries make, and the net worth is uniformly higher, so far as you have been able to get their dollar records, than the net sales basis; so you have created and adopted a basis to show a higher percentage than would be shown under the net sale basis.

Mr. BAKER. If we take a percent of net worth which is, let us say, 10 percent, and let us say the percent on sales in the period was 3 percent, if the volume has not changed, if we gave a price which resulted in 10 percent on net worth, the company would still be earning 3 percent on sales, if price and volume had not changed.

Senator BANKHEAD. Why did you adopt a different formula?

Mr. BAKER. The reason we have used net worth is because we are trying to preserve to industry a return on its investment such as it received in a normal peacetime period, as a measure of the general fairness and equity of our regulations. Variations in price and variations in volume as between industries would make the percent on current sales unsatisfactory. The return to various industries would depend on their good fortune in having been able to increase their volume, or on their misfortune in having had less volume, or whether their unit price had risen or had not risen. The return on net worth washes out those inequities.

I think, sir, we can show that, in general, industries are not complaining of the use of the net-worth formula as compared with a percent on sales. Their complaint relates to the question that Senator Taft has raised, as to whether the base period is adequate.

Senator HICKENLOOPER. Do you say it is inequitable for one businessman, through advertising and through ingenious sales devices, to increase his gross sales as compared with another businessman? Do you say it is an inequitable profit that he gets from those efficient and businesslike operations?

Mr. BAKER. Once an industry has had, we will say, a certain price level, and is then able to increase its volume——

Senator HICKENLOOPER. You mean, a man has increased his sales and he goes out and gets a bigger volume?

Mr. BAKER. Let us suppose he has done all those things. Under our regulations he gets the benefit of one or all of them. Let us suppose he increases his volume 20 percent. He gets the full benefit of that increase, because he makes the same profit of, let us say, 10 cents a unit on all the additional 20 percent of his volume. It is perfectly true, sir, that if we are looking at his profits and his prices again the next year, we might say, "Yes, your volume has increased, and therefore the obligation to raise prices to reflect increased costs does not arise to as great an extent."

Senator HICKENLOOPER. That goes back to the question of net worth, which is, as a rule, a tangible thing. You do not allow him to include good will in his net worth, do you?

Mr. BAKER. The purpose, sir—presumably he charges some nominal figure—the purpose of price control, of course, is to find a way of not having to reflect any price increases or cost increases.

Senator TAFT. I differ with you as to the purpose. It seems to me it is intended to reflect price and cost increases.

Mr. BAKER. The absolute reflection in prices of all cost increases would merely put price control on merchants, and certainly would not serve to stop an inflationary spiral.

Senator TAFT. Not at all; it would put it on the merchants themselves where it ought to be. I mean, the principle of the Price Control Act is clearly that prices should reflect increased costs per unit. I cannot understand the reason why the Price Administration has always refused to do that, because that is what the act clearly contemplated.

Mr. BAKER. We have explained to this committee, over several years, our standards.

Senator TAFT. But I never have agreed with you.

Mr. BAKER. I am merely suggesting, sir, that since it has been accepted by this committee and by the Congress, we have necessarily followed it.

Senator TAFT. That was wartime. If business suffered casualties in wartime, that is all right; that was war. But now we have got back to a normal economy.

Mr. PORTER. That is where I disagree with you.

Senator TAFT. I know. But as far as the businessman is concerned, he ought to be in the same position now that he was before the war. He should not, of course, be allowed to profiteer on the excess demand, but as far as his relation to cost is concerned, I cannot see that he should not have the same now as he had before the war. What is the reason? Simply because you say it would mean an increase in price?

Mr. PORTER. Yes; an increase in the price that the consumer would have to pay.

Senator TAFT. An increase in the price you have fixed, which the consumer pays. So that, really, your only objection is—

Mr. PORTER. That we will have higher prices.

Senator TAFT. Than you are now fixing. But that assumes that you are fixing the right prices, which I think is a wholly unwarranted assumption.

Mr. PORTER. If those higher prices would not bring inflation, it would be all right.

Senator TAYLOR. In spite of all this argument, we still have the testimony of Mr. Eccles that the over-all profit of industry was twice as great as in any peace period or any other period in history.

Senator TAFT. Figures were put into the record by Mr. Bowles showing that industry has made something like 6 percent on net worth; less in 1945 than 1944, and less in 1946 than in 1945. I read them yesterday in the record.

Senator TAYLOR. Is not the whole theory of our private enterprise economy based on this, that as sales go up and volume increases, the percentage of profit should come down, to pass the benefits on to the people, if the total profit remained the same or increased a little?

Senator TAFT. I have never admitted the over-all profit theory anyhow. We are concerned with particular industries.

The CHAIRMAN. I think the Senators will want to go to the Senate very soon.

Senator McFARLAND. There is one little observation which I would like to make, and I would like Mr. Porter to comment on it, if he cares to.

What alarms me more than anything else is the breaking down of price control in the meat situation. I have a group of telegrams here that I have just received this morning, one of which is along this line [reading]:

The Globe-Miami merchants are unable to obtain meat from our local suppliers. The Dow Packing Co., of Globe is unable to operate at a continual loss. No other meat supply available. It becomes necessary for us to request your help in obtaining relief for the protection of the health of the copper miners and their families.

That is signed by the Globe-Miami Merchants' Association.

I have other telegrams from other communities along the same line, one of which states that a packing plant has closed down and cannot get enough quota to operate on. It is also pointed out that there is no other plant in the community that is open and that the markets are out of meat. That is from another merchants' association.

Those things are very, very annoying and create a lot of dissatisfaction. Here is a mining industry in operation. It is one that has not closed down. These miners cannot get meat to eat. They are not satisfied to eat chicken all the time. Our miners and our other people in the West do not want to live on chicken.

Senator TOBEY. I appreciate your feelings in that connection.

When do you plan to decontrol meat prices?

Senator MILLIKIN. I hope you will go into that very thoroughly.

Senator McFARLAND. I am very much interested in this question because the meat situation, it seems to me—I may be wrong—is completely breaking down. Something must be done some place along the line, because it is just breaking down. When the consuming public does not get meat, there are grounds for complaint.

Senator BANKHEAD. Are they buying meat in the black market?

Senator McFARLAND. I am told that most of the meat is being sold through the black market. There is a lot of waste in that kind of market. This beef is killed in places where it is not supposed to be killed, and sold in the black market, and the prices are up. I think the meat dealers' association made reference here to the percentage of meat that is going to the black market. I think they said 80 percent.

I have received as many as five telephone calls in the last 48 hours on this situation. It has become alarming.

Senator TOBEY. The meat question is a very moot question. Go ahead.

Mr. PORTER. There are a number of questions involved that have been raised, and I could attempt to go into it as thoroughly as the committee desires.

Senator MILLIKIN. I hope the witness will be encouraged to go into it very thoroughly.

The CHAIRMAN. I have not said no.

Senator MILLIKIN. We gentlemen from the meat-producing States are being requested to introduce legislation to decontrol meat, and we want to know what we are doing. I hope you will go into it very, very thoroughly.

Mr. PORTER. It would be my guess that if you were to decontrol meat you would still be getting those telegrams, Senator McFarland. The slaughter controls that have been recently imposed in an attempt to channel meat into legitimate slaughterers—it may be that that should be supplemented with a distribution order to see that the suppliers were allocated by regions and by areas.

Senator TAFT. Why do you think that if we take the controls off it would not cure itself?

Mr. PORTER. I would like to go into that.

Senator TAFT. Why would not the high price situation be cured?

Mr. PORTER. There is no assurance that in the highly congested areas where transportation of meat supplies are involved the situation would not be the same without some kind of distribution to take care of it.

Senator TAFT. I do not understand you.

Senator McFARLAND. This meat situation has been probably the most troublesome one that we have had to contend with. I hope you will go into it in detail, and I will not interrupt you again. You put on one control and tried to cure it by another. At one time I wrote to the OPA when Leon Henderson was the Administrator, and someone wrote back and sent me a balanced diet to show me how to get along without meat. I still have that letter. That is no fault of yours, of course.

Senator MILLIKIN. Before you get started, may I say this to you. At some time during the dissertation I wish you would give this some specific attention. The meat people tell me that there is an abundance of meat on the ranges and on the farms, so that so far as the raw product is concerned, there is ample meat. That is the first proposition.

The second proposition is, that through the orders of OPA, through the operations of the black market which they say results entirely or in part from those orders, from the point where the cattle leave the farm or the range, to the point where they get on the retailer's counter, there are many dislocations; that you have unnatural scarcities here, surpluses there, and a complete "discombobulation" of the industry from that point on, which causes the black market, which causes increases in the price; and it is claimed that if you decontrol, since there is a basic surplus of meat on the farms and ranges, if you give private industry a fair chance, it would, as it always has, take up those maladjustments and dislocations.

Mr. PORTER. I think that the only witness who testified before this committee, from the industry, that made a guess on what would happen to livestock prices if they were decontrolled, stated that he felt that hog prices would increase \$20 a hundredweight and that cattle prices would go up even higher, if price controls were removed at this time.

Senator BANKHEAD. How much is it now?

Mr. PORTER. Fourteen and a half is the ceiling. Obviously a situation of that sort would completely nullify this grain program that the Government has recently announced, and would make it difficult, if not impossible, to obtain grain for our foreign commitments, and to obtain grain for poultry and livestock, which is difficult enough at the moment.

Senator TAFT. The answer to that is that while you might use more grain for feeding cattle you would probably use less to feed hogs, because the average weight of hogs would be greatly reduced.

Mr. PORTER. I do not think that would necessarily follow.

Senator TAFT. Cattle take only 25 percent of the feed, I think.

Mr. PORTER. As a matter of fact, it is the Government's policy to discourage excessive feeding, which decontrol would undoubtedly encourage.

Senator TAFT. I am suggesting that decontrol would not encourage it. It would lead to the earlier marketing of hogs.

Mr. PORTER. If hogs went up to \$20 a hundred, the producers would feed them to 400 pounds.

Senator McFARLAND. Suppose that meat were decontrolled with full authority to put controls back at the end of, let us say, 60 days or 3 months, if the price were inflationary: would not that cause meat to go on the market, and would they not try to get it all on the market before controls should go back? Might not the supply push the price down?

Mr. PORTER. I would not like to jump out of a plane just to see if the parachute would work.

Senator McFARLAND. The plane is just about landing now.

Mr. PORTER. I think we ought to give these slaughter control orders a chance.

Senator McFARLAND. They had a chance before.

Senator TAFT. In one case it resulted in less meat; in the other it has not increased it, apparently. In those two cases in Arizona, one fellow has been hurt by that order.

Mr. PORTER. It is just getting started, Senator. I noticed that the production of federally inspected meat increased 12 percent during the first week's operation.

Senator TAFT. But it is 12 percent of practically nothing.

Mr. PORTER. That figure was about equal to the same week a year ago; and it was not 12 percent of nothing.

Senator HICKENLOOPER. It is about 30 percent of what it was in 1941.

Mr. PORTER. If we are going into this meat situation I would suggest getting Mr. Ericson up here after the recess, who can pull these figures out of his head.

The CHAIRMAN. We had better do it now.

Senator HICKENLOOPER. Last year the situation was almost as bad, not quite, as it is now.

Mr. PORTER. I would like, if we are going into this meat situation thoroughly, to have Mr. Ericson available. He can pull these figures out of his hat.

Senator HICKENLOOPER. I would like to have a discussion on that.

Mr. PORTER. We are going to have some facts if you will hold the meeting until Mr. Ericson gets here.

Senator TAFT. There is one question on the general matter of subsidies. I do not think it is much use disputing it. Are you willing to accept any modification of your subsidy program, or would it require a tapering off?

Mr. PORTER. We might accept the Monroney amendment to the House bill that requires a 25-percent reduction of the amount.

Senator TAFT. 25 percent for 60 days?

Mr. PORTER. No. It did not set a precise formula. It was just the total amount of subsidy funds available for subsidy purposes.

Senator TAFT. You would be willing to accept a declaration that they would have to be got rid of at some time and a lower appropriation than the original appropriation requested.

Mr. PORTER. Yes.

Senator TAFT. I think that is very encouraging.

Mr. PORTER. I also would like to discuss with the committee in executive session what our general plans are, that is, for the gradual liquidation of subsidy programs.

Senator MILLIKIN. I think you might add other plans.

Mr. PORTER. There are a lot of market problems involved.

Senator TAFT. You are facing a 15 percent increase in the price of wheat. That will require either another subsidy or an increase in the price of bread. But when you do that, why not get rid of the subsidy? Why not get rid of the \$150,000,000 a year and make a sufficient adjustment to take care of both the 15-cent wheat and the subsidy?

Mr. PORTER. There again, you have to consider the impact on our whole cost of living.

Senator TAFT. But you have increased the price of wheat 15 cents. You did that yesterday. Now, then, why can we not recognize the real cost of bread? I think 1 cent a pound would take care of the subsidy.

Mr. PORTER. From my own viewpoint, I would like to move on dairy products rather than on bread.

Senator TAFT. Why not on bread? You are asking everybody to eat less bread to cut down. Why is this not an ideal time to increase the cost to the ordinary family. The index must change.

Mr. PORTER. They do not eat the index.

Senator TAFT. They are eating less bread, therefore, the bread they eat will cost them less. Why isn't this an ideal time to increase the price and take care of this 15-cent increase and the subsidy as well and save \$150,000,000?

Mr. PORTER. I would like to review with the committee our whole program which I think should not be discussed at any public hearing.

I think I had about finished talking about inflation.

Senator HICKENLOOPER. And this meat situation?

Senator TAFT. Mr. Ericson is coming over.

Mr. PORTER. I have my final point that comments on the contention that inflation was already here. It seems to me the record of the past 3 years shows we can maintain a stable price level. In my view the completion of the transition of price adjustments, decontrol of ceilings and removal of subsidies by a policy contemplated not to affect the economic situation can be worked out.

We would have a big inflation in the coming year if businessmen and individuals believed prices were going up. They would then spend their large liquid assets on goods.

Senator TAFT. On these subsidy questions, are you prepared to comment on the McFarland amendment?

Mr. PORTER. I have a letter for the record directed toward that question. Is it the premium price plan you refer to?

Senator TAFT. Raising the price of copper but leaving one-half the subsidies on for 12 months.

Mr. PORTER. I have a separate letter on that which I will submit to the committee. We will bring it over after lunch.

Senator TAFT. What about pig iron? There is a heavy strike in the iron mines. The men are not working. They cannot get a price adjustment to take care of wage increases.

Mr. PORTER. The principal quarrel is the '36-'39 standard.

Senator TAFT. I think so. It was about 3 percent. What is the justification for not taking the lid off iron?

Mr. BAKER. With respect to pig iron. The March 15 adjustment of 75 cents was only sufficient, as my notes from the testimony indicate, to return the earning standard of that time.

Senator TAFT. Which is 3 percent on the net worth.

Mr. BAKER. Your question of wages is what I am discussing. It is obviously true that we have to give an additional increase in price to compensate for any additional approved wage increase and, after there has been a settlement, and after the Wage Stabilization Board has approved these increases, we can move instantly to reflect the increased price.

Senator TAFT. The key to that is the word "instantly." The owners won't settle until they know they will get that increase.

Mr. BAKER. The record of timing on the pig-iron adjustment is a poor one for the agencies. We did delay in two out of three instances. The March 15 action was reflected. The others were unreasonably delayed. Our record for adjustments since the new policy has been a good one. We can say categorically that we are in shape to, and will, move instantly on any approved increase pattern that comes through.

Senator TAFT. Still holding industry to the 3 percent?

Mr. PORTER. If that is what the 36-39 standard comes out at. I think the record would show—one of the witnesses pointed out—that we had made a finding that the industry was not entitled to an exception. This finding was based upon a careful statistical study prepared by one of our operating branches and was to be communicated to the industry. After they examined it they asked that it be not sent to them.

This informal request should have been withdrawn, but it did justify the prewar base period for this industry.

Mr. BAKER. We might add one point on pig iron. It is entirely possible that we have a supply case here. It is felt by the industry to be so inadequate that they would prefer to change to some other item for their premises—ferro alloys—which was done in one case.

In the event that the Wyatt program, or the CPA program, felt there was a supply problem, we would certainly have to move to raise the price further with that in mind.

Senator TAFT. Two months ago, Mr. Small testified before this committee that you would have to have premium payments or subsidies.

Mr. PORTER. We did raise the price 2 months ago. If these supply agencies concerned make a representation to us that the price is inadequate, then it would be our duty to take action to avoid that impediment. They have not made such a recommendation, but we intend to discuss it with them even though we have not heard from them.

Senator McFARLAND. Mr. Porter, would you mind preparing a statement on this amendment on lead, copper, and zinc showing how much 14-cent copper would cut down premiums?

Senator MURDOCK. Fifteen cents.

Mr. PORTER. I think we can do that.

Senator McFARLAND. And the same ratio on lead and zinc. Then we can put that in the record later on.

Senator MURDOCK. Does OPA have anything to do with the formula under which the subsidies or premiums are paid? Or is that done by the quota committee?

Mr. PORTER. It is my understanding that it is agreed on by the quota committee on which OPA is represented. Since this premium plan has been introduced, 45 development campaigns sponsored by the quota committee have been put on. It was estimated that 1944—43 successful campaigns have added 145,000,000 pounds capacity to lead and zinc. I have a letter that sets out the results of that program. But it is my understanding that the quota committee of OPA does have a representative on the committee.

The CHAIRMAN. Can you get to the question which Senator Tobey has asked?

Mr. PORTER. That is on the MAP. I filed a statement on MAP in my original testimony, but I do have comments to make on certain of the testimony put forward here; and, without any reflection on the charming witness who testified here as to low-cost cotton dresses—

Senator TOBEY. How do you know she was a charming witness? You weren't here, were you?

Mr. PORTER. No, Senator. I was not here, but from the reports I received.

Senator TOBEY. What reports did you receive?

Mr. PORTER. I read the testimony and heard reports of the impression that she had made on the Senators.

Senator BANKHEAD. You would not think it was her logic that charmed them?

Mr. PORTER. Probably both.

Some of the samples of cotton dresses she distributed might require comment. Just as an indication of the fact that these matters are complex and it takes experts to really evaluate the testimony, of which I am not one, she gave away one of her samples, and we received a letter from a witness who said [reading]:

I am a New Jersey high-school teacher spending a week in Washington. On Wednesday, April 24, I attended the afternoon session of the Senate Banking and Currency Committee when Mrs. James Reed, president of the Donnelly Co., manufacturers of Nelly Don dresses, presented her case against the OPA.

Mrs. Reed read a prepared statement which described how OPA regulations hampered her company from manufacturing low-priced cotton dresses, while other companies could make similar cotton dresses to sell for much higher prices. After reading her statement Mrs. Reed presented to the Senators a few of her cotton dresses and several much higher-priced ones purchased from other manufacturers. She said the materials were the same, and no one questioned this.

In the course of speaking, Mrs. Reed mentioned that she would gladly give away any of the dresses to any of the young ladies present. Several of those attending approached her when her hearing had terminated and were generously permitted to help themselves. I was one of the lucky ones, and I chose one of the dresses at random. Upon examining, I noted with surprise that the tag attached to it was marked "Rayon." I observed that the dress was not one of Mrs. Reed's company's cottons but one of the higher-priced, "made of the same quality material"—cotton.

Senator BANKHEAD. I believe, if her testimony were examined, it would be found that she said she had rayons by comparison with her cotton dresses.

Mr. PORTER. I am glad to be corrected on that.

Senator BANKHEAD. The girl called my attention to that.

Senator HICKENLOOPER. My attention was called by the lady who wrote that letter, and I said what Senator Bankhead has just now stated. I said it was my recollection that Mrs. Reed said it might be a better dress made of rayon.

Senator TAFT. Do you really care if you repeal MAP?

Mr. PORTER. I think we do.

Senator TAFT. Very much?

Mr. PORTER. Very definitely, for the reason that there would be the accelerated tendency for apparel manufacturers to move immediately to their higher-priced lines.

Senator TAFT. Supposing they did produce 50 percent at the higher price level, would that not restore normal conditions more rapidly?

Mr. PORTER. We think MAP has sufficient flexibility that if they had the low-end goods they can live under MAP without severe make-ups or excessive penalties.

Senator TAFT. What do you think of the general idea? What year does it go back to?

Mr. PORTER. 1943.

Senator TAFT. People really want higher-grade goods.

Mr. PORTER. I think there is a great demand for many of the lower-priced items, and the whole apparel program would have many disadvantages if the manufacturers immediately went to their higher markets.

Senator TAFT. You have described the method of handling, namely, give them a profit on the lower-price goods and on the higher-priced goods. I never understood why you could not give them a larger profit on the lower-priced goods than on the higher-priced products.

Mr. PORTER. We have exemption levels that permit them to move in that direction. Mr. Baker can describe them to you.

Senator TAFT. Why not control them through direct price? This is so complicated.

Mr. PORTER. Then you get into the question of your style lines on women's apparel, which would increase the consumer's outlay.

Senator BANKHEAD. You have that problem anyway.

Mr. PORTER. But MAP is designed to correct that.

Senator BANKHEAD. But you said you would get into it if you made the change.

Mr. PORTER. If we let go of MAP we would have that accelerated. But MAP is designed to minimize it, and we think it does do that.

Senator BANKHEAD. I do not think the difficulty is overcome.

Mr. PORTER. All available yarn is being used for some purpose. It is not being withheld from production. It is a question of what levels of production we want to go into. We believe it should go toward lower-price garments.

Senator BANKHEAD. It will go to where profit goes.

Mr. PORTER. Certainly.

Senator BANKHEAD. Then Senator Taft's suggestion should be considered.

Mr. PORTER. Then you would have a base increase in the cost of these garments.

Senator BANKHEAD. Take it out of the high price and balance it up. I argued that on the floor of the Senate 2 years ago.

Mr. PORTER. You are for MAP in reverse.

Senator BANKHEAD. I think you ought to fix a ceiling on every grade and let them sell them at that.

Mr. PORTER. How can you direct them to do that in the absence of some—

Senator BANKHEAD. You do not need to. They will manufacture what there is a fair price on. The public does not want all high-priced goods.

Mr. PORTER. These are the ones we are trying to protect.

Senator BANKHEAD. Under the MAP they do not get low-priced goods.

Mr. PORTER. We are fearful of low-price and medium-price goods disappearing from the market if all manufacturers are permitted to go to the high-priced lines.

Senator BANKHEAD. The way to do that is to reduce the price on the high-priced garments and increase the price on the lower-price goods.

Mr. PORTER. MAP does not affect the profits.

Senator BANKHEAD. You penalize production. Mrs. Reed has 40 percent of her plant closed down. The workers are there, and everything is ready to go if she could get some better price on low-grade stuff. She is not asking for any increase on the high grade.

Mr. PORTER. Our records indicate that Mrs. Reed's volume is very substantial, and we have the reporting requirements in connection with MAP. The reason she says she wants to make higher-priced lines is that there is not enough low-priced cloth for low-priced lines.

In addition to that, she says the OPA is regimenting our cotton materials to cheap staple merchandise. Both of these things are not true. The facts do not bear out her complaint that she cannot under MAP use all the fabrics she can buy. In cottons, MAP permits her to average about a \$4.95 retail price line. To be sure, most combed fabrics would have to be used in dresses above her average price. However, the country's output of these combed fabrics is less than one-fifth of the output of the cheaper staple cottons. As for rayons, Mrs. Reed's MAP lets her average about \$7.80 in retail prices.

The point you raised about the closing of the plant or reduction in capacity is hardly correct. Our records indicate that the Donnelly Co. is not doing so bad. Her reports to OPA show her output of cotton dresses in the first 3 months of this year, 1946, was double her cotton dress output in the same 3 months of 1945 and well over half her cotton dress production for the year 1943.

Senator BANKHEAD. It does not show the production of the prewar period.

Mr. PORTER. We take it back to 1943; and, apparently, according to our records she is using all the fabric she can get. MAP was not in effect the first quarter of 1945.

Senator BANKHEAD. I do not know that. There have been a great many complaints like Mrs. Reed's case, and I have heard you have had controversies down there.

Mr. PORTER. We have a number of differences of opinion.

Senator BANKHEAD. I am not saying it critically. It is not based entirely on Mrs. Reed's experience.

I want to see the low-price goods come out in greater quantity. The plain people do not want to go up to the high-price goods.

Mr. PORTER. We think MAP afford them that protection.
(The following was later received for the record.)

SUPPLEMENTARY STATEMENT BY THE OPA ON MAP

MAP has been one of the major points of controversy in these hearings. OPA's reasons for believing that the MAP regulations are reasonable and vital to the successful control of prices have already been laid before this committee in a carefully prepared statement. However, in order to help the committee in its appraisal of MAP, we take this opportunity to reply directly to the criticisms made by two witnesses—Arthur Besse, of the American Wool Manufacturers' Association, and Mrs. James A. Reed, of the Donnelly Garment Co., of Kansas City.

The prepared statement from which Mr. Besse read made two principal points: First, that the public wants, and that MAP prevents, the mills from making the better grades of fabrics; second, that without MAP the mills could have produced during the last 6 months the fabric for 6,000,000 men's suits.

The daily mail of each member of this committee is a sufficient answer to Mr. Besse's first point. While, undoubtedly, there are hundreds of thousands of people affluent enough to desire better quality merchandise than they could formerly afford to purchase, there are millions of people with limited incomes for whom availability of low end merchandise is a dire necessity. The special virtue of MAP is that it does not compel exclusive production of any particular price range of fabrics but permits mills to make each price range in the same proportion as in either 1941 or 1943-44. Abandonment of this regulation would work a severe hardship on people with fixed incomes, recently discharged servicemen, workers in the low paid industries and all others who do not have the ready cash to buy the better grades of clothing.

Regarding Mr. Besse's second point, it is sufficient to call attention to the virtual contradiction in his own testimony. A few minutes after making his formal statement, in reply to questioning by the Senate committee, Mr. Besse made the statement that "the bottleneck in men's apparel is not wool fabrics. The bottleneck exists in the lack of labor in men's clothing factories." He further stated that "if the clothing manufacturers could obtain more labor then their next bottleneck is pocketing—in cotton goods. If they get enough of that, then they are short in coat linings." He agreed that so far as his industry is concerned there is more material than the clothing manufacturers can make up. Thus Mr. Besse's own testimony clearly shows that the production of men's suits has not been adversely affected by MAP.

One final word, even though not pertinent to MAP, is in order with respect to Mr. Besse's testimony. Mr. Besse specially advocated an amendment which would guarantee a 1941 margin over cost on each commodity. The need of the wool textile industry for such an amendment is only a need for higher profits at the expense of the consumer. As against 1936-39 profits before income taxes of 2.6 percent on net worth, during the war (through 1944) the industry was earning in the neighborhood of 30 percent and although complete figures for 1945 are not in, this record is believed to have continued. Furthermore, OPA has already instituted individual price adjustments which guarantee a profit to almost every mill processing raw wool and it is currently carrying on a survey to see whether an over-all industry action is called for.

We come now to the testimony of Mrs. Reed, president of the Donnelly Garment Co. Her company is a very large one, and the bulk of its business has always been in the low-priced field.

MAP was Mrs. Reed's principal target. She would like to see MAP eliminated. She made two arguments—first, that MAP is unnecessary; second, that without MAP she could produce more dresses in her higher-priced lines.

Mrs. Reed tried to make her argument that MAP is unnecessary out of a perfectly correct statement by the former director of our Consumer Goods Division that "in the garment industry most manufacturers have a single or at most two or three price lines." As you know, OPA has a highest price line rule which prohibits a manufacturer of dresses from climbing into price lines above his highest base period line. Obviously, MAP and the highest price line rule would be almost identical in effect if manufacturers had only a single price line. We think

you will agree that, if this were the case, OPA would scarcely have bothered to take on a job as big as MAP.

The fact is that since mid-1942 OPA has had a highest price-line rule on women's outerwear. In spite of this control, between June 1942 and June 1945, when MAP was introduced, cotton street dresses advanced 45 percent, cotton house dresses 52 percent, and rayon street dresses 18 percent. The point is that most garment manufacturers sell not one price line but several price lines. Generally the difference between the price lines is big enough so that there is a considerable difference between a manufacturer's highest and his average price. Mrs. Reed said her highest dress line was a \$14.95 retailer, her lowest a \$2.95 a retailer. This range is somewhat broader than usual, but it probably includes all her dresses—cotton, rayon, and wool. For each of these three groups the range would be somewhat narrower, but still wide enough for the average to be a good deal different from the highest price line. And, incidentally, it is pertinent to remark that dresses were separated into these three categories on the suggestion of the Industry Advisory Committee—one of those suggestions which Mrs. Reed said were never accepted.

That brings us to Mrs. Reed's second complaint. What she wants to do is upgrade her line. She is critical because other manufacturers can take the same cloth and make the price lines—or even ones that are more expensive—that her MAP keeps her from making in the quantities she would like to. What she wants in fact, is the liberty to upgrade her line.

Here is our answer to this complaint: We want to make six separate points.

First point: Mrs. Reed's argument is that without MAP she could make cheaper dresses than the other manufacturers make with the same fabric. This argument assumes that she, and other low-priced manufacturers, would be able to get an abnormally large share of these fabrics. However, there's no basis whatever for this assumption. Instead, it is reasonable to assume that the mills and converters are dividing their goods up among their customers in much the same way as in the base period. If MAP were lifted, most of these customers—including Mrs. Reed—would each shift to their higher-priced dresses, as most did before MAP.

Second point: Each manufacturer's maximum average price is based on the price lines which he sold during the base period 1943—a year in which most of them had already dropped cheaper lines for those which gave them more profit. Mrs. Reed forgets that other manufacturers under MAP have the same right which she has to sell, and are limited in the same way she is, to their own base period average price range.

Third point: She complains that other manufacturers are permitted by their MAP's to make the expensive lines in the output of which she is limited by her MAP. For one thing, this overlooks the fact that these manufacturers always made more expensive dresses than Mrs. Reed.

The committee will recall that Mrs. Reed dramatized her presentation by comparing her company's dresses with more expensive ones made elsewhere. She compared a dress of hers for \$10.95 retail with another company's \$29.50 retailer; another \$10.95 retailer of hers with a \$22.50 retailer of another manufacturer; and so forth. However, even if the fabric were the same in these dresses, they could not be the same garments and have ceiling prices as far apart as that. Except for about a dozen so-called "courturiers" (Hattie Carnegie, for example) no dress manufacturer can have a spread between cost and price of more than 46 percent. This means that those people who use the same fabric as Mrs. Reed could not charge double her price except by putting in much better and more expensive workmanship than she does. The fabric is not the only thing in a dress. You can always make both a low-price and a high-price dress out of the same material just the same way as you can make a Ford and a Cadillac out of the same material. The difference is in design, workmanship, and quality.

Fourth point: Mrs. Reed says the reason she wants to make the higher-priced lines is that there is not enough low-priced cloth for her low-priced lines. But almost in the next breath she was complaining that Mr. Bowles "is regimenting our cotton mills to the production of cheap, low-end, and staple merchandise." This reveals a serious inconsistency in Mrs. Reed's position because it is just these staple goods that made possible her well-deserved reputation for large-volume production of low-priced dresses.

Fifth point: The facts do not square, either, with Mrs. Reed's complaint that she cannot under MAP use all the fabrics she can buy. In cottons her MAP permits her to average about a \$4.95 retail price line. To be sure, most combed fabrics would have to be used in dresses above her average price. However, the country's output of these combed fabrics is less than one-fifth of the output of the

cheaper staple cottons. As for rayons, Mrs. Reed's MAP lets her average about \$7.80 in retail prices. Except for a few ultra-high style goods which she never has used, there's no reason we know of why she can't use within her MAP every yard of rayon goods that comes her way.

Sixth point: Mrs. Reed tried hard to give the impression that MAP had almost closed her plant. She said she was making fewer dresses than when she was 75 percent on war work. In fact, as her reports to OPA show, her output of cotton dresses in the first 3 months of this year, 1946, was double her cotton-dress output in the same 3 months of 1945 and well over half her cotton-dress production for the entire year of 1943. Thus in spite of MAP, the Donnelly Co. seems to be doing all right. With cotton fabrics still in short supply, it is clear too that the company is both getting and using at least a fair share of the available fabric. Nor is there any substance to Mrs. Reed's complaint about lightweight wool jerseys, which she claimed were scarce because of MAP and OPA worsted yarn ceilings. The fact is that worsted yarn spinners aren't in any such squeeze; if they were, we'd know about it. And, furthermore, the jerseys Mrs. Reed is talking about are in the lower range of the fabric knitter's price lines, so MAP couldn't possibly discourage their production. And it is of interest that the same worsted yarn used for those jerseys can also be used to make good worsted suitings for our veterans.

Senator BANKHEAD. Instead of increasing the price of the lower-priced goods, you hold the price down on them and prevent the manufacturer raising the price. I do not mind you reducing the higher priced goods. I would much sooner see that done than see the low-priced goods kept off the market.

The CHAIRMAN. I wanted to ask the committee a question.

Senator HICKENLOOPER. A moment ago, you said that, as far as you could recall, that the only representative of the meat industry had testified that hogs would go \$20. Do you recall who that was?

Mr. PORTER. His name is in the record. I do not recall it. He was an independent packer.

Senator HICKENLOOPER. Was that Mr. Slotkin by any chance of the High Grades Products. He merely submitted a statement.

Mr. BAKER. We can check that name for you.

Senator HICKENLOOPER. And also do this—make available to me all of the record of Mr. Slotkin and his meat operations for the last 4 years and whatever investigations you have made and alleged in fractions and shortcomings; all the meat quotas and his record of ceiling purchases.

Mr. GORDON. I do not know how much of that information you have.

Senator HICKENLOOPER. I think you have quite a file on it.

Mr. BAKER. I think the Senator knows we have a lot on it.

Senator HICKENLOOPER. I would like to see the file and know why something has not been done about it.

The CHAIRMAN. Who is the representative of the meat department?

Mr. BAKER. Mr. Ericson. He should be here in about 10 minutes.

The CHAIRMAN. Votes are going to come along soon up to 3 o'clock.

Senator HICKENLOOPER. To vote on these amendments.

The CHAIRMAN. I wanted to have these gentlemen present when we discussed the meat situation. What time would be convenient?

Senator MURDOCK. Could we meet at the Capitol?

The CHAIRMAN. That is inconvenient.

Mr. PORTER. Senator, Mr. Ericson is here now.

The CHAIRMAN. I am afraid some votes are coming along pretty soon and the Senators will go out. I want a good discussion on this and I want to understand it myself too.

Senator HICKENLOOPER. 3:30 will be all right. We have a conference on at 1:30 or 2:00 o'clock but we can postpone this to 3:30.

Senator BANKHEAD. I will be here at 3:30.

The CHAIRMAN. We will take a recess until 3:30 p. m. and will hear Mr. Ericson discuss the meat situation.

(Thereupon at 12:45 p. m. the committee recessed until 3:30 p. m. of the same day.)

AFTERNOON SESSION

(The committee reconvened at 4 p. m., upon the expiration of the recess.)

The CHAIRMAN. The committee will come to order.

Have you got Mr. Ericson here?

Mr. PORTER. Yes, but with your permission, Mr. Chairman, I would just like to complete one or two matters for the record.

The CHAIRMAN. Very well.

STATEMENT OF PAUL PORTER, PRICE ADMINISTRATOR—Resumed

Mr. PORTER. Senator Millikin asked this morning for a figure with respect to the total value of the Nation's goods and services, and I would like to incorporate that into the record in the form of a letter.

The CHAIRMAN. Very well.

(The letter referred to can be found on p. 1713.)

Mr. PORTER. And further there was a request for—

Senator MILLIKIN. Mr. Porter, on that, I have read this letter, and I am not in a position to challenge the turn that it takes, that is, reducing a real money value to terms of volume; but going no further than to reduce the money value of 1946 to a comparative figure with the money value of 1941, it figures this way, according to my figures, which are hasty, and I think—I am not ready to say that they are correct, but if the dollar is worth 75 cents today, and if we assume it was worth a dollar in 1941, then the \$155,000,000,000 figure reduced itself to \$116,000,000,000 as compared to \$107,000,000,000 in 1941. That is merely in relation of dollar to dollar.

Now, then, I notice this last paragraph makes a transposition in the volume, and I am not prepared to comment on that.

Mr. PORTER. Well, I think that perhaps I would not quarrel with the Senator's arithmetic except the assumption of the 75-cent dollar. We think the accurate figure would be 80 cents, and I believe that would bring about more of a reconciliation.

Senator MILLIKIN. Let me try that out; it will just take a second. That would be \$124,000,000,000.

Mr. PORTER. Right.

Senator MILLIKIN. As against \$107,000,000,000.

Mr. PORTER. Right.

Senator MILLIKIN. Yes. So the question is whether it is 75 or 80.

Mr. PORTER. Correct.

Senator MILLIKIN. It is a question of what is the correct figure.

Mr. PORTER. Yes.

Senator MILLIKIN. I thank you also for giving me that information.

Mr. PORTER. In addition to that, Mr. Chairman, there has been some testimony as to the premium price plan on nonferrous metals, and I have some comments we think are appropriate on that, to complete the record.

The CHAIRMAN. Very well.
(The document referred to is as follows:)

MARCH 5, 1946.

The Honorable ROBERT F. WAGNER,
United States Senate.

DEAR SENATOR WAGNER: This is in reply to your letter of February 12, 1946, addressed to Mr. Bowles, in which you ask an expression of our opinion as to the merits of S. 1815, a bill to permit the continuation of certain premium payments with respect to copper, lead and zinc. I find that, although we can support some features of the bill, there are other features to which we must object.

We are strongly of the opinion that the premium-price plan for copper, lead, and zinc, as well as several other production subsidy programs not included in this bill, should be permitted to continue for some time after June 30, 1946. We believe that it should be kept in operation until the principal conditions affecting the production and consumption of these materials have attained a reasonable degree of normalcy and stability. It is a well-known fact that, up to the present, labor shortages, deficiencies of development work, and various other factors have prevented the establishment of stable, peacetime production and cost levels in the mining and smelting industries. At the same time, the position of the metal-consuming and fabricating industries has been kept unstable by delays in reconversion, inadequate manufacturing "pipe lines" and inventories, wage uncertainties, and other such circumstances affecting industry generally. Although these disturbing conditions doubtless will be corrected in the course of time, we see no prospect of their being so far toward correction in the next few months as to permit the abolition of the premium-price plan by June 30, 1946. We feel, accordingly, that legislative action should be taken to allow its continuance, and we favor that part of the present bill which would accomplish this purpose.

We cannot favor, however, the two provisions contained in paragraph (c) of the bill. The first of these would make continuation of the premium price plan mandatory until June 30, 1947, and would require the continuation up to that date of all classes of premiums. Our conviction, as suggested above, is that the plan should be discontinued, with appropriate modifications in price controls, when conditions affecting production and consumption have become stable enough to make such action possible without danger to the anti-inflation program. It is not inconceivable that this situation will be attained before June 30, 1947. Even before the time is reached at which termination of the plan in its entirety would be feasible, moreover, it is quite likely that improved conditions in the mining industry will permit the cancellation of some of classes premiums without loss of any needed production. To continue the payment of any class of premiums when the production dependent upon those premiums is not needed, or to continue the operation of the premium-price plan when it is not necessary for reconversion and stabilization, would, in our opinion, involve a wasteful expenditure of public funds. This danger could be avoided by making the authority for continuation permissive rather than mandatory.

The second of the provisions to which we must object is that requiring increases in the maximum prices of copper, lead, and zinc in amounts not less than 60 percent of initial premiums. One of the primary purposes for which the premium-price plan was established and for which it has been maintained is stabilization of the prices of the metals. With essential war production no longer the matter of greatest urgency, but with industry still in the midst of the difficult transition from war to peace, the objective of price stabilization holds a position even more important than before. It would be anomalous indeed for a legislative action permitting continuance of an arrangement designed for price stabilization to require upon its enactment immediate sharp increases of prices. It would be particularly unfortunate to impose such a requirement at a time when the repercussions of those price increases upon the general price structure would be most severe because of the inability of buyers to absorb them and a time when a smooth flow of materials is most urgently needed and speculative withholding would do the most serious damage. We do not understand that these price increases are suggested by reason of any financial hardship incurred by producers at present price ceilings for nothing of the sort has been brought to our attention. It is not easy to see how there could be such hardship while the premium-price plan remains in operation. If, however, producers were to find themselves financially impaired as a result of the present price ceilings, there would of course be ground for increase in the ceilings. In that event, producers would need only to request the Office of Price Administration to take this action—which they have not done at any time in the past 4 years—and the ceiling prices of the metals would be

readjusted in accordance with the regular standards of general fairness and equity. Should the committee wish to give these matters further consideration, I should be glad to elaborate upon the points in question.

Sincerely,

PAUL A. PORTER, *Administrator.*

MAY 6, 1946

The Honorable ROBERT F. WAGNER,
United States Senate, Washington, D. C.

MY DEAR SENATOR WAGNER: Testimony before the Banking and Currency Committee with respect to the premium-price plan included a number of criticisms of the plan.

While we are quite willing to consider changes in its operation which may improve our administration, we feel that on the whole the plan has been remarkably successful. Since last summer, we have had neither the budget nor the personnel to carry cumulative evaluations of the effects of the plan. We were able to carry such records for the period 1942 through 1944. In the fall of 1945 we summarized those records as follows:

PRODUCTION

With respect to production, the plan had for its objects:

1. Provision that price should be no impediment to production.
2. The expansion or maintenance of production by paying premiums for over-quota production sufficient to compensate for the mining of lower-grade ores, thus increasing ore tonnages.
3. Bringing idle and new mines into production.
4. Paying for the more intensive development of mines, to expand or maintain production.

As to item 1, we know of no mine that has ceased operations because of prices. The record regarding 2 may be summarized as follows:

LEAD-ZINC MINES

Ore tonnage increased in districts producing 97 percent of the total.
Ore grade declined in districts producing 82 percent of the total.

COPPER MINES

Ore tonnage increased in districts producing 100 percent of the total.
Ore grade decreased in districts producing 71 percent of the total.

As to 3, between January 1, 1942, and December 31, 1944, new mines opened and idle mines reopened totaled 1,899 mines. The maximum production of 573 of these mines for which records were compiled, if added together, totaled:

	<i>Tons a month</i>
Copper.....	8, 400
Lead.....	12, 950
Zinc.....	34, 700

Since all of the group did not reach maximum production at the same time, the group as a whole did not in any 1 month produce as much metal as is shown above.

Forty-five development campaigns were sponsored by the quota committee.

It was estimated in May 1944 that the 43 successful campaigns had added about 145,000,000 pounds annual capacity to produce lead and zinc.

Aside from these specific results, we may say that the plan has been a contributing factor in the absence of stoppages of production by strikes, and that, under its operation, the war activities of our country have not been hampered for want of copper, lead, or zinc.

FINANCIAL

Through June 1945, \$211,258,000 had been paid in premiums as follows:

			<i>Tons metal</i>
Copper.....	\$73, 633, 000	Copper.....	667, 415
Lead.....	36, 843, 000	Lead.....	552, 768
Zinc.....	100, 809, 000	Zinc.....	1, 230, 660
Total.....	211, 285, 000	Total.....	2, 450, 836

Total salary overhead for the operation has been less than \$600,000 or 0.3 percent.

An analysis of fairly large samples indicates that margins of mines operating under the plan have been held at good, but not exorbitant, levels in spite of cost increases in the order of 45 to 50 percent.

Savings under the plan are a matter of some speculation, involving as they do indeterminate factors such as price spiraling due to mark-ups on basic materials as they pass through the successive stages of fabrication. If we confine ourselves solely to the part that the plan has played in maintaining ceiling prices of the metals, the problem narrows to a question of what prices it would have been necessary to pay to get the supply of metals which has been obtained. Under a one-price system it would probably have been necessary to pay somewhere near top prices paid under the plan to obtain the last pound of supply. Applying the difference between these prices and ceiling prices to the total supply available from the first of 1942 through June 1945, a saving of at least several billion dollars seems to have resulted. Such a calculation is merely an estimate, of course, but unquestionably savings from the operation of the plan have been very substantial indeed.

I think that the above is a sufficient answer to any minor criticisms which may be made of the plan and its administration.

Sincerely yours,

PAUL A. PORTER, *Administrator.*

MR. PORTER. Then, there was further discussion with respect to pig iron. I think much of that has been covered in testimony, but to complete the record I would likewise like to submit that statement.

THE CHAIRMAN. Very well.

(The statement referred to is as follows:)

STATEMENT OF ADMINISTRATOR REGARDING PIG IRON

The lengthy statement of the representatives of the merchant pig-iron industry may, for our present purposes, be reduced to three main charges leveled at OPA's action in this field, namely:

1. That the latest increase in pig-iron ceilings was inadequate, even on the basis of OPA's standards.
2. That the use of the 1938-39 base period for merchant pig iron is discriminatory.
3. That OPA's delays have been serious.

(1) *That the latest increase was inadequate even on the basis of OPA's standards.*—On March 15, 1946, ceiling prices for merchant pig iron were raised by 75 cents per ton. The principal complaint, assuming present OPA standards, is that we took insufficient account of substantial cost increases yet to come through the cost of iron ore, coal, and freight. In answer, it may be said that we made an allowance for all known cost increases. At the same time, it is only fair to state that that allowance, in addition to the impact of the approved wage increase, was offset, to some extent, by an estimate of future savings accruing from the improvement of efficiency of labor and the reduction of overtime payments. The latter offset was computed by methods in standard-use in applying Executive Order 9697, and although it is naturally subject to dispute, we believe it defensible in view of the known prospect for improvement over the situation prevailing in the last quarter of 1945, which was the test period utilized.

OPA has made it clear that it will promptly review the adequacy of these ceilings, if substantial cost increases occur in iron ore, coal, or freight rates.

In determining the amount of this increase, special care was taken lest the position of any important group of producers be endangered by an undue reliance upon an industry-wide average. The position of individual firms was carefully examined to ascertain whether the production of a significant portion of the industry would be threatened by failure of the new ceilings to cover the cost of particular firms. Our information indicated clearly that such would not be the case. Not only was the average satisfactory, but also the effect of the average taken in the light of the individual variations.

(2) *That the use of the 1936-39 base period for merchant pig iron is discriminatory.*—This matter has been the subject of much discussion. It is true that OPA at one time used an exceptional base period for this industry, but returned to the usual base-period years of 1936-39 at a time when a general review of the base-period question was being undertaken in the OPA. The purpose of the review

was to avoid discriminatory treatment of different industries; such a discrimination had appeared to threaten through an undue use of exceptions. In making a finding that this industry was not entitled to an exception, OPA gave every consideration to the extensive and carefully prepared testimony of the industry. It was found that the years 1936-39 were sufficiently representative of the prewar period in the merchant pig iron industry to justify use as the base period for application of the industry earnings standard.

A detailed finding, based upon statistical data, was prepared by the operating branch of the OPA, and was to have been formally communicated to the industry advisory committee. It was, however, withheld in deference to an informal request made by the committee. (In the testimony before the Senate committee, great stress was laid upon OPA's failure to make official reply on this matter, without stating the reasons therefor. It now appears that the record would have been clearer, had we denied the informal request for withholding.)

(3) *That OPA's delays have been serious.*—There have been three general increases in pig-iron ceilings since the regulation was issued. The industry testimony severely criticizes our delay with respect to the first action (1944), and to a less extent delay with respect to the section (October 1945). It is significant that no criticism was made with the promptness of the third action (March 15, 1946). OPA is perhaps vulnerable to the charge of delay in the case of the first action. The record is less clear with respect to the second. There can be no doubt of our promptness in taking the third and last action which was in respect to the wage increase following the steel strike. The March 15 action was taken within 2 weeks of the steel-price action and within 4 weeks of the announcement of the basic settlement of the steel strike.

It is true that the industry for the calendar year 1945 did not actually earn its base-period rate of return on net worth. It was in response to this situation that the second action (October 23, 1945) was taken. On the basis of the financial showing of the fourth quarter of 1945 this action was more than enough to restore the industry to the base-period level, prior to consideration of the more recent wage increases. At the time of the third action the industry advisory committee requested us to put in a very large allowance in the new action to take account of past "deficits." This we felt unable to do in view of our general policies with regard to retroactive pricing.

Mr. PORTER. And as a point of inquiry, Mr. Chairman, is the committee considering the bill as originally introduced by the chairman of the committee, or was the House bill substituted?

The CHAIRMAN. Well, of course, the committee itself will have to determine that, but I imagine that we will drop our consideration of the House bill and then our own bill.

Mr. PORTER. Very well.

Well, if it is appropriate I would like to submit for the record an analysis we have prepared on the bill as passed by the House, commenting specifically on several amendments.

The CHAIRMAN. Very well. We shall be glad to have them.

Mr. PORTER. Then there was likewise—

Senator MILLIKIN. Have you got copies of that, Mr. Porter?

Mr. PORTER. We can furnish copies of that, Senator.

Senator MILLIKIN. I would like to have that and be reading it.

Mr. PORTER. We certainly will. We will see that you get copies for each member.

The CHAIRMAN. I think it would be a fine thing to try to give it to all of the Senators over the week end, so they may have a chance to read it.

Mr. PORTER. As a matter of fact, I think I have some extra copies of this particular statement, and we can supply additional ones [handing documents to members of the committee].

(The analysis of the House bill, submitted by Mr. Porter, is as follows:)

APRIL 26, 1946.

ANALYSIS OF PRICE CONTROL BILL PASSED BY THE HOUSE

The purpose of this analysis is to appraise the House-passed version of the Price Control Renewal Act. Its consequences cannot be measured with mathematical precision, and in this situation it is easy to permit the estimate to be colored, one way or the other, by the point of view. The sponsors of the House amendments have argued that they will stimulate maximum production while at the same time staving off inflation. Such arguments will not stand up under informed analysis.

It is plain that the House bill would require the immediate removal of the price ceilings covering more than half of the goods in our economy. With serious shortages of many of these commodities still existing, the only question is how severe the rise in their prices would be.

It is equally plain that many of the ceilings which would remain would have to be raised considerably to meet the proposed new standards. The only question is how much.

These direct effects would be extremely serious in themselves. Further, if economic law and past experience are any guide, knowledge that prices were on the way up would lead businessmen and consumers alike to rush to put their money into goods so as to attempt to protect themselves against inflation.

Once this shift from money into goods began, prices would be pushed up still further. Wage earners would make new demands on their employers with another round of price increases the certain result. A self-feeding spiral of inflation would be under way. In the face of its pressures the price and rent ceilings not directly affected by the amendments could no longer in fairness be held, and any attempt to hold them would be bound to break down.

Each of the eight amendments discussed below would, considered separately, endanger public confidence in the stability of prices so necessary to effective transition to a full-production, full-employment peacetime economy. Any combination of a few of them could readily set off an inflationary spiral and precipitate a scramble for goods. All together, as the Price Administrator has declared, they amount to the repeal of price control. And the inflation which would follow would have no stopping point other than that brought about by the "natural cure" of collapse and depression or the introduction of drastic monetary and fiscal controls.

The eight amendments are as follows:

1. The Gossett decontrol amendment requires removal of price ceilings on a commodity whenever its production in the latest 12 months exceeds its production for the year ending June 30, 1941. The fatal defect in the formula is that it deals wholly with supply and ignores demand. Demand is up because more people have more money to spend and also because war-caused shortages of many commodities have created a backlog which a single year of prewar production would fall far short of meeting.

If applied, the formula would require immediate removal of over half the existing price ceilings, including nearly all food, most farm products, petroleum products, coal, house furnishings, woolen and rayon fabrics, most women's garments made from these fabrics, shoes, bus and truck tires, cigarettes, and a large part of the basic industrial materials and their products in such fields as textiles, leather, chemicals, rubber, stone and glass, machinery, and certain metals. Shortages of many of these commodities are still acute, and their decontrol would lead to substantial price increases.

From the House debate it is clear that the proponents of the amendment were not aware of its sweeping scope. In fact, it goes so far in freeing the economy for an inflationary spree that the price controls remaining would soon be ineffective. Its enactment into law would amount, for all practical purposes, to the writing off of price control on June 30, 1946.

2. The Wolcott cost-plus amendment would require the ceiling prices of every product to cover the product's current cost plus a "reasonable" profit for the producing industry and for the distributing trade. Apparently the Price Administrator would be made the arbiter of what profit margins are reasonable for all American industry.

Most prosperous industries in normal times make some products at relatively high profits, other products at relatively low profits, and still others at no profit whatever except in the sense of a contribution to overhead. The Wolcott amendment would require OPA to raise each ceiling to whatever level might be regarded

as yielding "reasonable" profits, regardless of prewar cost-price relationships and regardless of how profitable the producing industry might be. Nor could OPA easily overcome the economic and administrative difficulties involved in offsetting the increases the amendment would require by lowering the high profit ceilings. The net result of these increases to already profitable industries, would therefore be higher living costs for consumers and higher business costs for purchasing industries.

Still more drastic in its damage to stabilization would be the amendment's effect upon the pricing of products which were out of production during the war. OPA set ceilings for these products—automobiles, electric refrigerators, washing machines and the like—according to a formula which did not reflect all the temporary high costs which are inevitable while production is still at low volume. OPA's formula does allow good profits to be obtained when high volume is reached. Currently, however, with output of these reconversion products still below a normal level, overhead costs are high and the ceilings are not yet profitable. But the amendment makes no exception for these cases. Under its automobile ceilings would have to be stepped up so high that manufacturers would doubtless hesitate to boost their prices all the way up to the new ceilings. Household appliance ceilings would also take a sharp jump. Of course, if production got rolling before inflation struck, these prices would be far too high, but competition could reduce them only after the harm to stabilization had been done.

The administrative load imposed by the amendment is beyond the power of OPA's limited staff to carry. Eighty-five percent of American industrial firms do not keep accounts which will permit OPA, without extensive studies, to find out what their product-by-product costs and profits actually are. Since OPA's staff would soon be bogged down in a morass of cost accounting studies, OPA would have either to deny price increases without investigation or to allow each applying industry to write its own ticket. Neither alternative is tolerable.

For most wholesale and retail trades, product-by-product cost and profit figures simply do not exist. What hardware store can tell how much it nets on fly swatters or ash cans? So far no one has suggested how OPA could comply with this amendment except by giving up virtually all that its retail cost absorption policy has gained for price control. This alone would add about a billion and a half dollars to the consumer's annual budget.

One of the worst effects of the amendment would be its pervasive unstabilizing influence. Its sponsors have not yet made clear whether it applies to farm commodities, but, for manufactured goods, it would have a shotgun effect. Unlike OPA's price increases for supply purposes, it could not be aimed at specific situations where low ceilings might be impeding production. Instead it would cause widespread uncertainty as to costs, widespread expectations of ceiling price increases, and widespread holding back of goods to await these increases.

There are few better ways to bring about inflation.

3. The Wolcott amendment for subsidy liquidation would tie to a rigid timetable ending December 31 the carrying out of the Administrator's announced objective of liquidating the subsidy program as rapidly as feasible during the course of the coming year. The Monroney amendment which was reported by the House committee, while cutting the amount to be spent in subsidies by 25 percent and compelling liquidation by the end of the fiscal year, would have allowed administrative flexibility in determining the amount and timing of each subsidy cut. It recognized the importance of getting out of subsidies with the minimum danger to stabilization and the maximum of protection to agricultural markets.

The Wolcott amendment signally fails to take these factors into account. It prescribes in paragraph (a) a rigid schedule calling for a cut in each subsidy program every 45 days by an amount equal to 25 percent of the subsidy paid on each respective program in the corresponding period of 1945. When subsidies are decreased, the amendment requires corresponding increases to be made in ceiling prices, and paragraph (b) prescribes special standards to govern these increases.

First, the program prescribed in paragraph (a) concentrates subsidy cuts and price increases in the coming summer and fall when it is most important to restore confidence in price stability and combat the growth of inflationary psychology.

Second, it would lead to serious interruption in the flow of a number of subsidized products to market. These interruptions would come about as processors and speculators who had inventories of products on which subsidies had already been paid withheld them from the market so as to get the benefit of the ceiling increases which the Wolcott amendment would compel at the end of each 45-day period. OPA could not hope to prevent the windfall profits which would flow

from such speculation if the liquidation of each subsidy and the corresponding ceiling increases were tied to a fixed timetable.

Third, the Wolcott liquidation program endangers agricultural markets by compelling subsidy cuts at specified times, regardless of the possibility that, at the time specified, the market for the product might be so weak that the price increase could not be realized. It should be noted, moreover, that the use of 1945 experience as a yardstick for the cuts would produce highly erratic results because since 1945 some subsidies have been dropped, others added, and still others substantially changed in amounts of payment.

The general impact of paragraph (b) of the Wolcott amendment is difficult to gauge. In requiring ceilings to be modified in order to reflect all increases in costs to producers incurred since January 1, 1941, the amendment may require only what section 3 of the Stabilization Act now requires. The amendment may, however, be intended to go much further, perhaps even to accomplish the objective of the Pace bill. If enacted in its present form, it would create uncertainty as to the validity of many existing agricultural ceilings.

However, this confusion is nothing to the chaos which the paragraph would create in the pricing of milk and its products by requiring the modifications to be made on an area or regional basis. Ceilings for milk have been adjusted to reflect the national increases in cost of production since January 1, 1941, although some further adjustments have been made for particular areas when supply problems became acute. But neither the time nor the figures are available to compute cost increases for milk and its products on an area or regional basis.

Even if it were possible to recalculate ceilings on this basis, the resulting dislocation of price relationships would disastrously upset the always delicate balance in the supply of milk from area to area and between milk and its manufactured products.

4. The Flannagan amendment forbidding use of any subsidy payment on meat products would have even more drastic effects than the Wolcott subsidy amendment. It would have the effect of increasing the cost of living by far more than the amount of the subsidy. It would destroy the only effective method which OPA can use to control live animal prices. Without any control of livestock prices, meat price controls could not long survive.

The Flannagan amendment would compel OPA to abandon the subsidy it has been paying to nonprocessing slaughterers in order to keep beef ceilings generally fair and equitable. If this subsidy had to be removed, there would appear to be no alternative to boosting the ceilings for all packers so as to provide prices high enough to give the small nonprocessing slaughterers the protection to which they have been held to be entitled. The result of this increase would be to add about \$96,000,000 a year to the Nation's meat bill, or more than seven times the \$14,000,000 which this subsidy costs.

5. The anti-MAP amendment would abolish MAP, OPA's most effective method for preventing the shift from low-priced to high-priced lines of apparel. This method, the maximum average price plan, requires a manufacturer in any quarter to deliver garments in a category covered by MAP at an average price no higher than the average at which he delivered garments in the same category in the corresponding quarter of 1943. Orders setting tolerances over the 1943 averages protect manufacturers against intervening cost increases, and exemption levels are set to aid manufacturer specializing on low-priced garments.

Garment MAP is supplemented by MAP for rayon and wool fabrics. There is no cotton-textile MAP because cotton fabrics, which are more standardized, can be better controlled by loom freezes and allocations.

Since garment MAP became operative in October 1945, clothing prices have remained virtually stable although before then they had been climbing steadily. That climb had been due to the fact that, with fabrics in limited supply, clothing makers sought higher profits by concentrating production in their high-priced lines. For example, a study of over 2,000 manufacturers of women's garments showed that, between the first half of 1943 and the first quarter of 1944, their output of blouses, waists, and shirts selling for under \$16.51 per dozen had fallen 46 percent while their output of the same categories selling for over \$22.50 per dozen had risen 86 percent.

MAP has made for better utilization of the limited supply of fabrics which has been produced. It is not holding back that production; in fact, wool and rayon fabrics, both of which are under MAP, are above peacetime levels whereas cotton textiles lag behind.

The root of the clothing shortage lies in lowered output caused by manpower shortages and in the terrific upsurge of demand as veterans return and as civilians

ask to replenish war-depleted wardrobes. To drop MAP under these circumstances would add over a billion dollars to the consumers' clothing budget next year.

6. The Crawford auto dealers amendment would require OPA to permit all increases in manufacturers' ceilings of reconversion products to be passed through to consumers, pyramided by the full established margins, mark-ups and handling charges of the wholesalers and retailers specializing in their sale.

This would mean higher prices for automobiles, radios, and most large household appliances. The amendment accomplishes this result by abolishing OPA's rule which requires the wholesale and retail trades selling these items to absorb necessary increases in factory prices so long as this will not reduce their gross margins below the level they actually realized in peacetime.

OPA has calculated that the average increase which this amendment would require in the ceilings of Chevrolet, Ford, and Plymouth four-door sedans would be \$85. This despite the fact that dealers under OPA ceilings are now averaging \$68 more on these cars than they would get if the average gross margin they realized in peacetime were applied to the October 1941 prices for the corresponding models of these cars.

Automobile dealers are not in hardship. On the contrary, an OPA survey shows that their net earnings during the war ran double their peacetime rate. The low volume of new car sales has been far more than counterbalanced by the great volume of lucrative repair work, supplemented by the highly profitable trade in used cars.

Today, with trade-ins assuring a steady supply of used cars and with the need for repair services still mounting, the auto dealers' prospects are equally bright.

They do not need the additional \$425,000,000 which \$85 on 5,000,000 cars would put in their pockets.

When the price increases for radios and household appliances are added, the cost of this amendment to the American consumer could easily exceed half a billion dollars.

7. The Brown and Sundstrom cotton and wool textile amendments change in two respects the Bankhead-Brown amendment which Congress passed in 1944.

The Brown amendment revises the special pricing formula for major items of cotton textiles required by the 1944 amendment so as to compel OPA to reflect increases in the market price of raw cotton, even after the market price has gone above the parity price.

This amendment leaves OPA's cotton-textile and cotton-clothing prices at the mercy of the cotton speculator, and at the same time encourages the mills to speculate by assuring inventory windfalls as the market price of raw cotton rises. For every cent the speculator pushes up the price of a pound of cotton, the cost to the consumer is estimated to be raised by \$60,000,000. Already, despite an increase of a quarter of a billion dollars in cotton textile prices in March of this year, this amendment would require OPA to add about \$120,000,000 to that huge sum.

The Sundstrom amendment would place wool fabrics under the same formula which the amended Bankhead-Brown amendment would apply to cotton. However, since the domestic wool grower is able to get the parity price for his product only from the Commodity Credit Corporation which resells to mills at the much lower market price set by foreign competition, there is no gain which the wool grower can anticipate from the amendment. Nor does the wool fabric maker stand to profit significantly.

Wool mills are currently earning profits well above their peacetime levels. Their production is running high. However, the uncertainties as to ceiling prices which would be created by this amendment might well lead to withholding of fabric from essential garments. If, after extended cost studies, price increases were found necessary, the most probable victim would be the veteran seeking to buy a suit of clothes.

8. The Wolcott termination-date amendment would require the ending of the stabilization laws on March 31 instead of June 30. This would mean that the inevitable impairment in both compliance and administration in the closing days of price control would begin to make itself seriously felt as early as January 1, 1947. Yet, even with the best of luck and management, inflationary pressures will still be high in many fields at that time. The three additional months which the June 30 termination date would give could well prove crucial. Moreover, the later date allows the new Congress adequate time to determine what controls may still be required and what departments of the Government should administer them.

Mr. PORTER. Then I would likewise—there was a request made on our survey with respect to the distributor's margin, of automobile dealers.

The CHAIRMAN. All right.

Mr. PORTER. And I have the form that was used for that, and certain comments on the testimony of Mr. Mallon.

The CHAIRMAN. Very well.

(The documents referred to are as follows:)

ADMINISTRATOR PORTER'S STATEMENT ON THE TESTIMONY BY W. L. MALLON,
PRESIDENT, NATIONAL AUTOMOBILE DEALERS ASSOCIATION

1. SURVEY OF AUTOMOBILE DEALER MARGINS

In anticipation of the resumption of production and sale of new passenger automobiles the OPA, in the late summer of 1945, began a study of the pricing problems involved. It was apparent that a regulation would have to be written to provide for maximum prices for manufacturers and that manufacturer's prices could not remain at prewar levels. Under OPA policy of requiring absorption of price increases at distributor levels wherever possible without inflicting hardship on such distributors a study was begun to investigate the absorptive ability of dealers. The principle of cost absorption and the operating policies of the OPA in respect to cost absorption were discussed with dealers as early as April 4, 1945. Mr. Brownlee the Deputy Administrator in charge of price attended a meeting on that date and outlined the whole cost absorption policy to the dealers' committee.

The principal source of information upon which OPA based its decision as to the absorptive capacity of dealers was a study of dealers' operating experience conducted by OPA in the summer of 1945. This was supplemented by a study of the years 1934-39 by the National Automobile Dealers Association and a Federal Trade Commission study covering the years 1935-37. In addition the results were checked as far as was possible with an NADA study completed in the autumn of 1945.

When it became apparent that it would be necessary to conduct the above survey of dealers a form, OPA 694-2262, was drawn up and copies sent to the advisory committee. The forms were then sent out to the sample selected. When the returns were tabulated various meetings were held with the dealers' advisory committee to discuss further the policy of absorption and the results of the survey. These meetings were held as follows: July 31, and August 1, September 12, and October 31, 1945.

At the time this study was conducted and analyzed and the results made known to the dealers the branch was under the direction of Mr. Jo G. Roberts, a dealer of long experience and mentioned in Mr. Mallon's testimony as the least experienced automobile man employed in the Automotive Branch.

OPA Form 694-2262, a copy of which is attached, was mailed to 2,061 dealers, located in every part of the country. The dealers to be included in the sample were selected by asking each district office of the OPA to send in the names of 25 dealers in their district, giving proper representation to the size of dealer and make of car handled. Of the 2,061 dealers to whom the questionnaire was addressed, 374 returned the form, of which 317 were completed and able to be used in the tabulation. This form was drawn after a study of dealers' accounting methods and was constructed so that dealers could readily supply the information from their accounting records.

The result was approximately a 1-percent sample. In order to be sure that the sample was reliable a careful study was made of it. This study showed the returns to be representative geographically and by make of car. Furthermore, the results were compared to the other studies mentioned above and were found to check very closely. Finally, the sample was broken down by region, size and make of car to discover the internal consistency of the results. This analysis showed great consistency within the sample. As a result, it is felt that reliable conclusions can be drawn from this survey.

2. SUMMARY OF STATISTICAL RESULTS AND CONCLUSIONS

The following tables present in summary form the results of the OPA survey.

TABLE I.—*Summary of over-all sales, expenses, and profits of automobile dealers, 1936-45*

[Percent to sales]

	1936	1937	1938	1939	1940	1941	1944	First 6 months of 1945
Net sales	100	100	100	100	100	100	100	100
Gross margin				15.9		15.3	31.9	32.7
Operating expenses				13.78		12.59	24.80	24.30
Net operating profit	2.42	1.30	.85	1.21	2.40	2.72	7.10	8.37
Net profits to sales	1.33	1.09	.37	1.32	1.65	3.02	7.65	9.31
Owners' and officers' compensation	1.40	1.34	1.47	1.27	1.15	1.23	3.49	3.28
Net profits and owners' and officers' compensation	2.73	2.43	4.84	2.59	2.80	4.25	11.13	12.59

A study of this table shows great changes over the period. The ratio of gross profits to sales more than doubled between 1939 and the 18-month period ending in June 1945, rising from 15 percent to more than 32 percent. However, in the same period the ratio of operating expenses to sales also showed a marked increase, rising from 13.78 percent to 24.8 percent in 1944 and 24.30 percent in 1945. The increase in both the ratio of gross profits to sales and operating expenses to sales were largely due to the change in the nature of the dealers' business. In 1939 vehicle sales, both new and used, comprised 84.39 percent of total net sales; parts and accessories, 8.53 percent; services, 6.24 percent; and other, less than 1 percent. In 1944, however, total vehicle sales made up only 41.33 percent of the total while parts and accessories had risen to 31.72 percent, services to 22.42 percent and other to nearly 5 percent. Normally, the parts and accessories and service departments have higher gross margin and operating expenses than do the vehicle departments.

The shift in gross profit and operating expense ratios permitted an increase in net operating profits. These rose from an average of 1.44 percent of ratios in 1936-39 (1.21 percent in 1939) to 7.10 percent in 1944 and 8.37 percent in 1945. The ratio of net profits to sales showed a similar movement, using from an average of 1.06 percent in 1936-39 (1.32 percent in 1939) to 7.65 percent in 1944 and 9.31 percent in 1945. This was accompanied by an increase in the ratio of owners' and officers' compensation to sales, the increase being from 1.36 percent in 1936-39 (1.27 percent in 1939) to 3.49 percent in 1944 and 3.28 percent in 1945. Net profits and owners' and officers' compensation together rose from an average of 2.39 percent of sales in 1936-39 (2.59 percent in 1939) to 11.13 percent in 1944 and 12.59 percent in 1945.

Table II shows the dealers' over-all position in terms of dollars and cents.

TABLE II.—*Dealers' sales and profits for selected years*

Year	Average dollar sales per dealer	Average dollar profit per dealer
1936-39	100	100
1941	150.2	283.7
1944	40.9	201.8
1945 ¹	40.6	235.0

¹ 6 months' figures doubled.

Source: OPA survey of 317 dealers.

TABLE III.—Summary of vehicle operations of automobile dealers for selected years
[Percent to sales]

	Total vehicles	New vehicles at retail	Used vehicles
Gross margin:			
1939	11.24	23.14	-8.22
1941	12.24	23.74	-6.45
1944	23.94	29.99	21.63
½ of 1945	24.27	26.41	23.64
Net operating profit:			
1939	-1.00	10.53	-24.00
1941	1.02	12.08	-21.03
1944	2.64	7.56	0.86
½ of 1945			

It will be noted that the gross margin on total vehicle sales rose from about 12 percent in 1939 and 1941 to around 24 percent in 1944 and 1945. The dealers keep their books in such a way as to show the full margin on new vehicles sold at retail. The gross margin on these sales rose from 23 percent in 1939 and 1941 to between 26 and 30 percent in 1944 and 1945. The loss was taken on used vehicles which showed a negative gross profit of 8.22 percent in 1939 and a negative gross profit of 6.45 percent in 1941. The same accounting practice results in a net operating profit being shown on new vehicles at retail of 10.53 percent in 1939 and 12.08 percent in 1941; but net operating losses on used vehicles of 24 percent in 1939 and 21.03 percent in 1941. The result of the two combined was a 1 percent net operating loss on sales of total vehicles in 1939 and a 1.02 percent net profit in 1941. If dealers had broken even on their used vehicles, they would have had a net operating profit on vehicles of 6 percent in 1939 and about 8 percent in 1941.

In considering dealer operations it is necessary to consider the effect of both the new-car and used-car operations. It is evident from the above that the dealer did not, prewar, realize the full list price plus extra charges such as handling but gave away much of his margin in overallowances on used cars. The list price and discount provided a theoretical margin which allowed a considerable latitude for bargaining. It is not possible to use new-car figures alone because this reflects only the type of accounting system used by dealers and does not give a picture of the complete transaction. The total receipts of the dealer are not known until the used car taken in a trade is sold.

It is impossible to obtain current-expense ratios for the sale of new cars because, until the fall of 1945, none were available for sale. Reliable figures are not yet available and will not be available for some time.

3. OTHER SURVEYS

The National Automobile Dealers Association have a survey of dealers for the years 1934-39. The summary of this is presented below. This study confirms our finding that realized gross margins on cars was not near the theoretical initial margin.

TABLE IV.—Comparable finance statistics of dealers, 1934 to 1939 for new and used car departments only: Percent of new car sales

	1934	1935	1936	1937	1938	1939
1. Dealers reporting	1,058	931	412	290	290	334
2. New-car units sold	193,909	201,516	117,426	76,393	48,080	63,788
3. Used-car units handled	325,364	331,484	204,306	141,148	109,274	129,533
4. New-car sales	\$159,509,678	\$171,165,350	\$100,251,201	\$73,377,796	\$49,604,760	\$62,080,931
(Net), percent	100	100	100	100	100	100
5. Gross margin, retail, new cars, percent	21.96	22.33	23.37	24.76	24.63	25.02
Minus prior deductions:						
6. "Clean-up" discounts	.18	.16	.26	.27	.34	.21
7. "Fleet" discounts	1.18	1.08	.86	1.03	1.27	1.05
8. Used-car gross loss (true)	.82	2.50	4.02	4.58	4.70	5.52
9. Total prior deductions	2.18	3.74	5.14	5.88	6.31	6.78

Italic denotes loss.

1756 EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942

TABLE IV.—Comparable finance statistics of dealers, 1934 to 1939 for new and used car departments only: Percent of new car sales—Continued

	1934	1935	1936	1937	1938	1939
10. Remainder, new-car gross margin salvaged	19.78	18.59	18.23	18.88	18.32	18.24
11. Used car expense	7.56	7.06	7.14	8.24	10.03	8.95
12. Leaving a remaining new-car gross margin for new-car expense and net profit	12.22	11.53	11.09	10.64	8.29	9.29
13. New-car expense	15.06	13.26	11.29	11.93	13.46	10.95
14. Net loss (true merchandising)	2.84	1.73	.20	1.29	5.17	1.66
15. Less finance reserve .....	.67	.71	.72	.90	1.04	.89
16. Final net profit or loss after finance reserve credited	2.17	1.02	.52	.39	4.13	.77

Italic denotes loss.

Source: National Automobile Dealers' Association Trade Survey.

A study of the years 1935-37, which also confirms our findings was made by the Federal Trade Commission.

Federal Trade Commission report on distribution methods and costs, 1944—Over-all results of retail automobile dealers ¹

[As a percentage of sales]

	Number of dealers	Gross margin	Selling and general expenses	Net profit
1935	285	17.89	15.59	1.28
1936	325	16.44	14.66	1.78
1937	361	16.7	15.30	1.41

¹ The FTC explains that this sample covered dealers located in 45 States and the District of Columbia.

Gross profits on new cars, used cars, etc.

	Gross margin on new cars and trucks	Gross margin on used cars	Both used and new cars and trucks	Gross margin on services, parts, and accessories
1935	20.98	-5.92	13.12	37.67
1936	22.29	-8.43	12.93	37.35
1937	23.22	-8.54	12.95	37.45

Results, by departments, for 20 typical retail dealers in 1937

	Gross margin	Expenses	Net profit
New-car department	20.84	10.77	10.07
Used-car department	-4.88	15.94	-20.82
Sum of new and used cars	12.94	12.36	.54
Accessories, parts, and service department	36.30	27.37	8.93

Later the NADA conducted another survey of 1952 dealers, the summary findings of which are included in a statement of Mr. W. L. Mallon, president of the NADA, before the House Small Business Committee on November 15, 1945. This study again confirms the finding that dealers' prewar realized margins were below the theoretical initial margin. A summary table of this survey is presented below. Other tables presented in this testimony may be obtained by reference to the above hearings.

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 1757

TABLE V.—Average dealers' profit and loss statement for the calendar years 1939, 1940, and 1941, based on 1952 returns

	1939	1940	1941	3-year average
(1) New-car sales.....	\$264,000	\$341,070	\$399,060	\$334,710
(2) New-car costs.....	208,530	268,316	311,592	262,813
(3) New-car gross profit.....	55,470	72,754	87,468	71,897
(4) Percent new-car gross profit to sales.....	21.01	21.33	21.92	21.48
(5) Used-car sales.....	122,970	147,738	181,095	150,601
(6) Used-car costs.....	133,228	165,699	193,516	164,147
(7) Used-car gross profit loss.....	<i>10,258</i>	<i>17,961</i>	<i>12,421</i>	<i>13,546</i>
(8) Percent used-car loss to new-car sales.....	<i>3.89</i>	<i>5.27</i>	<i>3.11</i>	<i>4.05</i>
(9) Gross profit retained from new-car sales.....	45,212	54,793	75,047	58,351
(10) Percent gross profit retained from new-car sales.....	17.12	16.06	18.81	17.43
(11) Gross profit other departments.....	28,671	32,908	39,529	33,703
(12) * Over-all gross profit.....	73,883	87,701	114,576	92,053
(13) Total operating expense.....	65,282	76,276	92,068	77,875
(14) * Total net profit.....	8,601	11,425	22,508	14,178
(15) Percent total net profits to total sales ¹	1.86	1.99	3.29	2.47

¹ Includes finance reserve earned.

Source: NADA Survey.
Italic denotes loss.

The OPA has repeatedly requested the NADA to make this study available to OPA for analysis in order to test accurately the validity of the results of its own analysis. This has not yet been done. Requests were made orally immediately after it was known such a study existed. Later the request was made in writing. Copies of the correspondence are reproduced below.

MARCH 25, 1946.

Mr. WILLIAM L. MALLON,
President, National Automobile Dealers Association,
Newark 2, N. J.

DEAR MR. MALLON: I am informed that your organization has recently made a survey of automobile dealers' margins and expenses. This information would be very helpful to us in establishing and testing dealer maximum prices.

If you would give us the results of this survey I am sure it would be to our mutual advantage. Your cooperation in supplying us with this survey will be appreciated.

Sincerely,

PAUL A. PORTER, *Administrator.*

MARCH 29, 1946.

Mr. PAUL A. PORTER,
Administrator, Office of Price Administration,
Washington 25, D. C.

DEAR MR. PORTER: Your letter of the 25th came to my attention this morning when I returned from Washington.

I appreciate the cooperation as evidenced by your suggestion, and I have requested our statistical department to immediately prepare a complete summary of the data we have on dealer margin and expense.

I will contact you as soon as this is ready for presentation; probably next week.

Sincerely yours,

W. L. MALLON.

Following is a comparison of the NADA figures with those gathered by OPA for the same year 1941 based on the above studies and stated in terms of a typical car.

TABLE VI.—*Comparison of operating results of dealers as shown by NADA and OPA surveys*

[Per \$1,000 new car sold]

	NADA	NADA adjusted	OPA
New car sales.....	\$1,000.00	\$1,000.00	\$1,000.00
New car gross profit.....	219.20	219.20	238.00
Loss on used cars:			
Gross loss.....	\$31.10		
Used-car expense.....	67.90		
	99.00	99.00	106.40
Gross margin salvaged.....	120.20	120.20	131.60
New car expense.....	97.30	97.30	116.90
Other expense.....	85.50		
Net operating profit.....	-62.60	22.90	14.70

Though these are relatively small differences in the individual items between the two studies, they are in substantial general agreement, with the NADA study after adjustment showing somewhat the better net operating results on new cars in 1941.

It will be noted, however, that one expense item included by NADA does not appear in the adjusted figures. That expense item which totaled \$30,125, or \$85.50 per new car sold, clearly should not have been charged against vehicle sales. The statement in table V covers the over-all business of the average dealer in 1941; it includes sales, expenses, and profits on new cars, used cars, services and parts, and accessories. The total operating expenses of all departments amounted to \$92,068. All of this was charged to new cars in determining the NADA operating results on new cars without adding in other revenues (services, parts, and accessories). It is clearly not appropriate to charge "other expenses" against new car sales unless "other revenues" are also included. This item of "other expense" is excluded from the adjusted figures in table VI. It should be noted that the NADA study shows a lower realized margin than does the OPA study. A complete comparison of the two studies is not possible because the NADA study is not available to the OPA.

4. ABSORPTION REQUIRED AND EFFECTS ON DEALERS

The above data show that the prewar realized margin was below the theoretical initial margin. Instead of setting retail prices by allowing dealers the average margin actually realized prewar it was decided to set prices using the prewar theoretical margins less whatever absorption factor was indicated by price increases granted manufacturers above 1942 levels. The first reduction was 2½ percent, later followed by a 2-percent cut. The actual margins resulting on typical cars after these actions and after allowing a full margin on specification changes are as follows:

The cars selected were the most popular style in the most popular price line cars. Margins on other body styles and on other makes are near or above this margin.

TABLE VII.—*Dealer margins remaining after 4½ percent absorption factor taken*

Car	Dealer discount (percent)
Ford.....	20.69
Plymouth.....	18.85
Chevrolet.....	19.83

It will be noted that the resulting margins are safely above those realized prewar.

In addition the dealer is permitted a handling charge of 1½ to 2 percent which increases his realized margin. It is contended that this is a decrease over the

5 percent handling charge claimed by dealers prewar. It is known that dealers had handling charges prewar and that by late fall 1941 these had grown to around 5 percent. However, income from the handling charge is included in the revenue from new cars in all the above studies so that the prewar return of 12 to 13 percent reflects this handling charge. Just as the dealers' selling prices were set up on the basis of manufacturers' discounts and recommended list prices so were the handling charges. The alternative would have been to have included both at the amount actually realized by the dealer which would have been at a lower figure than that now resulting.

It is further contended that OPA completely neglects the possibility of losses on used cars. It is true that OPA does not feel dealers will lose on used cars for some time. The dealer must allow on a trade-in for a used car the "reasonable value" which is defined as the "as is" ceiling price (or the fair market value of the top grade of that type car, if lower) less the retail cost of necessary repairs. The dealer may then resell it at the "warranted" ceiling which is 25 percent above the "as is" ceiling. The dealer thus has the opportunity of realizing a 25 percent mark-up plus his usual margin on repairs. This margin against a falling market is considerable. Moreover, as the market falls the "reasonable value" on a trade-in falls in that the dealer is required to allow no more than the fair market value at the time of the trade-in.

That there is no immediate fear of losses on used cars is evidenced by the many complaints we now receive that dealers will not sell new cars unless the purchaser has a trade-in. Because of this and because of the backlog of accumulated demand for new cars it is unlikely that dealers will show losses on used cars.

The auto dealers' amendment.—This amendment would require the Administrator to allow retail dealers of reconversion commodities to pass through to the consumer all increases in manufacturers' prices, pyramided by the full established dealer discounts and handling charges. To the consumer, this amendment would bring very substantial increases in all automobile prices. To the retail auto dealers, it would mean more than double the dollar gross-profit margin per car that they realized in peacetime. The special privilege afforded dealers by this amendment is timed to expire close enough to the act's expiration date that there is little likelihood that a roll-back in automobile prices could be effected.

The dealers complain of OPA's pricing as if OPA had deprived them of gross profit margins which they had actually been obtaining. Such is not the case. The average margin which the dealers realized in peacetime, when applied to the average of October 1941 prices for the most popular models of the largest selling makes, is \$68 lower than the average margin and handling charges which OPA now allows dealers on the corresponding 1946 models. The principal basis for the margin increase which OPA has authorized is our margin to protect small dealers with higher-than-average costs. However, the margin which the dealers would claim if their amendment were enacted is \$85 higher than the current OPA margin and \$153 higher than their average peacetime margin. Moreover, the new margins do not reflect the profits on trade-ins which can certainly be anticipated.

Applied to all car sales from July 1946 through 1947, our estimate is that this amendment would transfer at least \$425,000,000 from the pockets of American car buyers to the pockets of automobile dealers. When to this huge sum is added the additional margins which the amendment would require OPA to allow on household appliances when sold by specialty appliance dealers, the cost of this amendment to the public in the coming fiscal year could easily exceed half a billion dollars.

Of course, this amendment would have no effect on the production or sale of cars. Supposed hardship to the dealer must have induced the committee's action. Many have thought that the auto dealers fared ill during the war and hence were deserving of special treatment for a period of economic convalescence. But our figures show that the industry has been prospering.

OPA surveyed a Nation-wide sample of automobile dealers for the years 1936-39, 1941, 1944, and for the first 6 months of 1945. Considering the average operating profit per dealer per year in 1936-39 as 100, the average profit in 1941 was 283; in 1944 was 202; and in 1945 was 235, assuming, unrealistically, that in the second half of 1945 the dealers netted no more than they did in the first half.

It cannot be that an industry which is confronted with a staggering demand for its products and services and whose net profits are running more than double their ordinary peacetime level can properly be regarded as an appropriate object of congressional solicitude.

5. OTHER STATEMENTS OF MR. MALLON

Several other points in Mr. Mallon's statement warrant brief comment. He says, for example, that 10,000 dealers went out of business during the war, inferring

that they were all business failures. Actually, many of these dealers entered the armed services along with 11,000,000 other men. Many shifted to employment in war plants. Those who stayed in business enjoyed, even on a restricted volume of sales, a profit rate on sales far above the prewar average.

Mr. Mallon says that dealers' operating costs increased during the war by 25.91 percent. He fails to mention, however, that gross profits increased proportionately and that the increase in both was, to a large extent, the result of a shift to a much higher proportion of sales of parts and accessories and services in the total volume of dealers' sales.

TABLE VIII.—*Gross margin and operating expenses of dealers for selected years*

	1939	1941	1944	6 months, 1945
Gross margin.....	15.0	15.3	31.9	32.7
Operating expenses.....	13.78	12.59	24.8	24.3

Mr. MALLON states that there are no personnel remaining in OPA who have experience in the retail automotive business. The following are now employed in the Automotive Branch:

Mr. William Harrington, who was a dealer for 21 years and a distributor for 17 years, having at one time 206 dealers under him. He, incidentally, was a director of NADA for 10 years.

Mr. Hal Woodside, Government sales representatives for 70 dealers for 3 years.

Mr. Baxter Wood, general manager of a dealer agency 1 year and worked in father's dealership in early years. Recent experience, however, in other industry.

Mr. V. H. Olson, employee of retail automobile finance companies for 7 years, branch manager for 4 years.

Other members of the branch have experience in a manufacturer's organization.

It is the function of these men to advise OPA executives as to matters relating to dealers.

Mr. Mallon also implies that the amendment supported by him will not cost very much and that consumers are willing to pay the added amount. The latter is a statement which is not founded on any known survey of consumer reaction. As far as is known, Mr. Mallon has not been authorized by any consumer group to speak for them.

The proposed amendment will be costly to the consumer. As previously stated, it will add \$85 to the price of a low-priced car and will cost the consumers of the country at least \$425,000,000 in the next year. In view of the above evidence, I do not believe this is justified.

SURVEY OF AUTOMOBILE DEALERS AND DISTRIBUTORS—GENERAL INSTRUCTIONS

In a recent meeting with our automobile dealers advisory committee, representatives of the trade inquired regarding possible changes in established ceiling prices for new passenger cars and the effect of any such changes on retail prices and distributors' margins. At that meeting, Mr. James F. Brownlee, Deputy Administrator for Price, explained to the committee our distribution pricing standards and emphasized the need for factual information regarding the position of automobile dealers and distributors. The committee recognized the importance of such information, and I am sure that as a responsible member of the industry you will agree with the position taken at that meeting.

Your company has been selected as a representative concern, and we are, therefore, asking your cooperation in making available to us certain information regarding your own operations. The enclosed form is designed to provide us with this information with the least possible inconvenience to you. We have designed this form along the lines of the financial reports customarily filled out by many automobile dealers, and we have incorporated many helpful suggestions received from members of your industry.

It is important to the trade and to OPA that this information be supplied as quickly and accurately as possible. Your cooperation in returning the completed questionnaire by August 1, 1945, will help materially.

Sincerely yours,

Jo G. ROBERTS,
Acting Price Executive, Automotive Branch.

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 1761

OPA Form 694: 2262 Bureau Budget No.
 08-4593.
 Approval Expires
 8/31/45.

UNITED STATES OF AMERICA
 OFFICE OF PRICE ADMINISTRATION
 AUTOMOTIVE BRANCH
 WASHINGTON 25, D. C.

SURVEY OF AUTOMOBILE DEALERS AND
 DISTRIBUTORS

Name of Firm -----
 Address of Firm -----
 Make of Vehicle Sold -----

 Type of Business Organization (check
 one): Corporation Proprietorship
 or Partnership

GENERAL INSTRUCTIONS

Submit the information called for to the Automotive Branch, Office of Price Administration, Washington 25, D. C., by August 1, 1945. Fill in as completely as possible. Leave all cents off figures submitted.

SCHEDULE A.—Base period financial information

	1936	1937	1938	1939	1940
1. Net sales.....					
2. Net operating profit.....					
3. Net profit before income taxes.....					
4. Compensation—Owners and officers.....					

SCHEDULE B.—Prewar and current financial information

	Total	New vehicles		Used vehicles	Parts and accessories	Service	Other auto-motive	Other non-auto-motive
		Retail	Wholesale ¹					
1939								
Units sold.....	XXXX				XXXX	XXXX	XXXX	XXXX
Net sales.....								
Cost of sales.....								
Gross profits.....								
Direct sales expense.....								
General expense ²								
Operating profit.....								
1941								
Units sold.....	XXXX				XXXX	XXXX	XXXX	XXXX
Net sales.....								
Cost of sales.....								
Gross profits.....								
Direct sales expense.....								
General expense ²								
Operating profit.....								
1944								
Units sold.....	XXXX				XXXX	XXXX	XXXX	XXXX
Net sales.....								
Cost of sales.....								
Gross profits.....								
Direct sales expense.....								
General expense ²								
Operating profit.....								
1945								
January:								
Units sold.....	XXXX				XXXX	XXXX	XXXX	XXXX
Net sales.....								
Gross profits.....								

See footnotes at end of table, p. 1766.

1762 EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942

SCHEDULE B.—*Prewar and current financial information*—Continued

	Total	New vehicles		Used vehicles	Parts and accessories	Service	Other auto-motive	Other non-auto-motive
		Retail	Whole-sale ¹					
1945								
February:								
Units sold.....	XXXX				XXXX	XXXX	XXXX	XXXX
Net sales.....								
Gross profits.....								
March:								
Units sold.....	XXXX				XXXX	XXXX	XXXX	XXXX
Net sales.....								
Gross profits.....								
April:								
Units sold.....	XXXX				XXXX	XXXX	XXXX	XXXX
Net sales.....								
Gross profit.....								
May:								
Units sold.....	XXXX				XXXX	XXXX	XXXX	XXXX
Net sales.....								
Gross profit.....								
June:								
Units sold.....	XXXX				XXXX	XXXX	XXXX	XXXX
Net sales.....								
Gross profits.....								

¹ To be filled in only by dealers who also act as distributors.
² Explain the basis of allocation on the reverse side of this sheet under "Comments".

SCHEDULE C.—*Break-down of operating expenses*

Account	1939	1941	1944	Months ended 1945
1. Gross profit (from schedule B).....				
2. Salaries, commissions, bonuses—salesmen.....				
3. Advertising and publicity.....				
4. Other selling expense.....				
(a) Demonstration expense.....				
(b) Policy and guarantee expense.....				
(c) Delivery expense.....				
5. Compensation—Owners and officers.....				
6. Compensation—Others.....				
7. Rent and expense in lieu of rent ¹				
8. Taxes (except building and income).....				
9. Insurance (except building).....				
10. Depreciation (except building).....				
11. Maintenance (except building).....				
12. Heat, light, power, and water.....				
13. Other miscellaneous expense.....				
14. Total operating expense (2 through 13).....				
15. Operating profit (line 1 minus line 14).....				
Other income:				
16. Sales finance rebates.....				
17. Insurance commission.....				
18. Miscellaneous income.....				
19. Total.....				
20. Other deductions.....				
21. Net profit before income taxes ²				

¹ Expenses in lieu of rent include building depreciation, insurance, and maintenance and taxes on land and buildings.
² 15 plus 19 minus 20.

Comments:

Mr. PORTER. Then, likewise, I think much of this has been covered by direct testimony, but we would like to insert in the record a statement with respect to the petroleum industry's testimony before the committee.

The same is true——

Senator MILLIKIN. Have you any copies of that petroleum industry testimony?

Mr. PORTER. Senator, unfortunately I do not have the original copies here.

Senator MILLIKIN. Will you furnish us with copies of that?

Mr. PORTER. Yes; I will undertake to supply it.

(The document referred to, with respect to petroleum industry, is as follows:)

ADMINISTRATOR'S COMMENT WITH RESPECT TO TESTIMONY OF THE PETROLEUM INDUSTRY BEFORE SENATE BANKING AND CURRENCY COMMITTEE

Statements have been made before this committee by representatives from the petroleum industry that "There has been no necessity for controls since VJ-day and no possible necessity for controls in the foreseeable future"; "There has been no shortage of crude oil or any of its principal products since August 1945"; "the dangers anticipated by the Price Control Act do not now exist with respect to the oil industry because supply and demand for crude petroleum and its products are in balance." These statements are misleading and not in accord with our studies of this industry.

Immediately after VJ-day refiners continued peak production of gasoline. It was not known at that time how completely unbalanced the demand for refined products would be and it was not until early winter that it became evident there would be a critical shortage of fuel oils. The demand for domestic and industrial fuel oils was completely out of balance with the demand for gasoline, and the continued production of gasoline in maximum quantities resulted in serious shortages of other products to the extent that OPA was required to increase fuel oil prices to stimulate their production.

In the case of fuel oils used for domestic purposes the present price is approximately 16 percent above the 1941 price. As to industrial fuel oil, the present price is at least 28 percent higher than in 1941. Until the demand for all refined products nears a normal balance there is a strong likelihood that inflationary prices will be charged for those products in greatest demand which happen to be the products with the greatest bearing on our cost of living, fuel oils.

We believe by early summer the demand for gasoline which is now steadily growing will have reached a point near a normal balance with the demand for other petroleum products. We hope to have a price suspension order for the petroleum industry in effect by early summer. However, the present coal strike has an important bearing on our price-suspension program for petroleum. In the event we suspend controls at or near June 30, we deem it highly important that the production, consumer demand, and stocks be closely watched until October of this year, and then, if it appears that the industry will be able to meet public demand for fuel oils for the coming winter at noninflationary prices, this industry may be exempted from further price control.

The statement was also made by the petroleum industry that "existing crude petroleum maximum price ceilings are insufficient to permit the normal exploratory and developmental operations needed to provide adequate petroleum reserves."

We cannot reconcile this assertion with the fact that more exploratory wells were drilled in 1945 than during any year since records have been kept on wildcat wells and that so far in 1946 the total of all wells drilled is running far ahead of 1945. Of course, the wartime allocation of steel had a considerable adverse effect on developmental work in this field.

The present average crude price, \$1.33 per barrel, is almost 15 percent higher than the April 1941 average price, \$1.15. The average price for the previous 15 years, 1927 through 1940, was \$1.14 per barrel.

We believe, and have for some time believed, that an early decontrol program for this industry is possible. However, care is essential. Industrial fuel oil demand is 30 percent above the 1941 level. We think that immediate lifting of prices would cause industrial fuel oil prices to advance nearly 100 percent over prices for this product in effect in 1941. On the other hand, we believe the gasoline price situation and demand will improve with each month hereafter and that, if we are permitted to decontrol this industry in an orderly way, we can avoid the higher and inflationary prices for residual oil which we feel would occur with decontrol at this time.

OPA will watch the economy of this industry closely and will lift price ceilings at the earliest moment possible. If inflationary price rises are to be escaped, it is important that Congress should not so amend the act as to compel the premature decontrolling of petroleum.

In this connection, cognizance should be taken of statements made before this committee by representatives of the petroleum industry that if price ceilings are removed from petroleum and products, prices will advance. This will not only affect the petroleum industry but also other industries and the consuming public. Petroleum is very definitely a cost of living commodity.

The petroleum staff of the Office of Price Administration met with the national advisory committees for both the producing and refining industries last Friday and Saturday to obtain information needed in setting up an order for price suspension. Undoubtedly the Petroleum Branch will be able to formulate recommendations within a short time. The timing element, it should be emphasized, is very important. Refinery realizations are down as a result of sales of gasoline below ceilings. With strengthening of the gasoline market contemplated by the industry during the early summer period, the pressures on prices of other petroleum products will be lessened.

Mr. PORTER. And the same is true with respect to lumber, and certain comments as to the dairy testimony, dairy products.

Senator MURDOCK. I would like to have the one on lumber.

Mr. PORTER. Lumber and dairy. We will undertake to get mimeographed copies of those supplied, before the record is printed, to each of the Senators. I thought that this was probably a way to conserve time of the committee and get into the record what we think is basic material.

(The statement with respect to lumber and dairy products is as follows:)

**ADMINISTRATOR'S STATEMENT ON LUMBER PRICING FOR THE SENATE BANKING
AND CURRENCY COMMITTEE**

The OPA controls on lumber pricing have come in for more than their share of criticism. Many of these statements are too ill founded and unauthenticated to deserve comment. However, there are other statements made by responsible members of industry which show a serious misconception of OPA's policies and practices which must be answered. Here are the criticisms levied against OPA and also the facts:

**1. THE STATEMENT IS MADE THAT OPA HAS FAILED TO ESTABLISH PRICES WHICH
WOULD GIVE THE LUMBER INDUSTRY A FAIR PROFIT**

The fact is that under OPA the lumber industry has enjoyed the longest period of successive years of profits that it has ever had. Western pine and Douglas fir are typical examples. The chart submitted for the record by the National Lumber Manufacturers Association in appearing before this committee April 26 shows the position of the western pine industry from 1938 to 1945. The chart shows that from 1939 until 1941 the industry suffered a severe loss. From 1941 until 1945 it enjoyed 5 years of profit and only in the latter part of 1945 did the strike and other unusual costs impair this profit margin. The Douglas-fir industry showed losses in 3 out of the 6 years from 1934 to 1939 and very small profits for the other 3 years. Since 1941 that industry has had a continuous record of profitable operation at a higher level than in any of the pre-OPA years except 1941.

**2. THE STATEMENT IS MADE THAT OPA'S PRICING POLICIES HAVE REDUCED
PRODUCTION**

The fact is that in 1942 under OPA the industry reached the highest peak of production since 1929, namely 36,000,000,000 feet. Despite repeated price increases production declined from 1942 to 1945. This was caused by many factors other than price, such as shortage of labor and materials, bad weather, strikes, etc. The present production rate (adjusted for seasonal variations) is 29,000,000,000 feet compared with the total production in 1945 of 27,300,000,000 feet. It is anticipated the production this year will approximate 32,000,000,000 feet, and

while this will be less than the anticipated requirements, it is probably the maximum that can be obtained. As a matter of fact, according to a recent report of the Forest Service of the Department of Agriculture, 32,000,000,000 feet is the most that it is physically possible to obtain this year.

3. THE STATEMENT IS MADE THAT OPA IS BLINDLY HOLDING THE PRICE LINE WITH OSTRICH-LIKE DEVOTION TO THE INDEX FIGURES

The fact is that we are not very proud of our record in endeavoring to stabilize prices on lumber. Here is the record of average f. o. b. mill prices of lumber reported by the members of the American Wholesale Lumber Association, Inc., covering all their sales for the following years:

	<i>Average price</i>
1939.....	\$20. 00
1941 (135 percent of 1939 prices).....	35. 00
1945 (190 percent of 1939 prices and 141 percent of 1941 prices).....	45. 50

Only a portion of these increases has been authorized by OPA. The balance reflects the pricing opportunities presented in the regulation due to changes of manufacture, manufacturing methods, upgrading, special pricing, etc. Despite this record, it is obvious that without OPA the increase would have been vastly more. From 1914 to 1920 lumber prices increased 231 percent while production decreased 13.6 percent.

4. THE STATEMENT IS MADE THAT OPA REFUSES TO GRANT A PRICE THAT IS ADEQUATE TO COVER THE COST OF MORE THAN 75 PERCENT OF PRODUCTION

The fact is that, while the 75-percent cut-off line does permit higher earnings than the industry realized in the base period, OPA has deviated from it wherever it has been found that an incentive price would produce more lumber. On most of our recent softwood actions OPA has used a still more liberal pricing basis. In view of the greatly expanded housing program and the increased availability of manpower and equipment, we believe that the selective use of incentive pricing will help achieve the Nation's lumber production goals.

5. THE STATEMENT IS MADE THAT OPA INCLUDES PROFITS FROM OPERATIONS NOT CONNECTED WITH THE LUMBERING BUSINESS, SUCH AS COAL MINING, RAILROADS, ETC.

The fact is that in pricing lumber, the only time that we use the profit from these other enterprises is where they are so closely integrated with the lumber-manufacturing business that the costs and profits cannot be properly segregated.

6. THE STATEMENT IS MADE THAT OPA FAILS TO RECOGNIZE PRESENT-DAY COST OF STANDING TIMBER

The fact is that we use whatever cost the reporting mill shows to be its book value for purchases of timber. This is a well-established accounting practice for industries engaged in enterprises where depletion of natural resources is an important factor.

7. THE STATEMENT IS MADE THAT OPA IS GUILTY OF ATTEMPTING TO MAINTAIN THE PRICE LINE BY DELAY

The fact is that this is simply not true. We are unable to determine the amount of any increase necessary without cost data. The collection and analysis of these data, are necessarily time consuming. Whether OPA's record is bad should be determined in the light of the fact that various lumber associations which also collect cost data from their members have been unable in the past to complete an industry study in less than 3 to 4 months' time. The amount of time required within the Office after the data are finally submitted in usable form is not unreasonably long. The preparation of the price tables is a difficult task, accentuated by a lack of stenographic help. Some of these price tables have as many as 20,000 different items in them and the need for accuracy is self-evident. The multiplicity of items is not a matter of OPA's choice but represents a practice of long standing within the industry.

8. THE STATEMENT IS MADE THAT OPA FAILS TO USE CURRENT COSTS IN DETERMINING PRICE CEILINGS

The fact is that we use not only the most current costs available but we attempt to project these costs into the future, anticipating cost increases that may occur. In conformity with Executive Order 9697, we also attempt, of course, to anticipate cost reductions that will occur.

9. THE STATEMENT IS MADE THAT IN OPA PRICE REGULATIONS THERE ARE MANY DISPARITIES BETWEEN THE PRICES FOR VARIOUS ITEMS

The fact is that OPA put most of these "absurdities" into the regulation by adopting a price list in effect prior to price control. We have been told time and again that the lumber industry has itself never been able to work out a price schedule that was fair to all elements. As conditions have changed from a war to a peace time economy, we have made extensive changes within the schedules in order to offer a price incentive to produce items needed for the present day economy. The readjustment of lumber price schedules to peacetime needs has been a complicated and difficult task but with the industry's help the job is now substantially completed.

10. THE STATEMENT IS MADE THAT OPA FAILS TO GIVE COMPLETE CONSIDERATION TO THE RECOMMENDATIONS OF ITS INDUSTRY ADVISORY COMMITTEES

The record will show that by and large recommendations of responsible industry advisory committees have been followed in a great majority of the cases, and where they have not been followed it was because of the fact there were no factual data to justify a price increase consistently with OPA standards or that improvement in the enforceability of the regulations was essential. In OPA's Lumber Branch there are 17 men taken from industry. Their combined experience in the lumber business totals 440 years. We need more.

STATEMENT OF THE OFFICE OF PRICE ADMINISTRATION WITH REFERENCE TO THE DAIRY PROBLEM

During the Senate Banking and Currency Committee hearings, much information was presented concerning the wartime production of milk, the recent decline in output, and the prospects for the period ahead. The committee noted that the output increased from 1941 to 1945 by about 7,000,000,000 pounds, or 6 percent, chiefly as a result of an increase in the number of cows. This increase in output occurred under price control, and the approximately 3-percent rise from 1943 to 1945 occurred when the only important increase in dairy-farmer returns were through the dairy-production payments.

Dairy farmers' margin over costs has grown significantly during the war. One way of measuring the returns is to examine the movement since January 1941 of the margin over cash costs as computed by OPA and the Department of Agriculture in connection with meeting the requirements of the Stabilization Act with respect to providing ceilings that covered the increase of costs since January 1941. Using this method and February 1946 farm wage rates and prices of commodities bought by farmers, the margin over the cash cost of producing wholesale milk had increased 2.2 times over the average of 1940-41. The comparable margin for butterfat increased 2.1 times. During 1944 and 1945 the dairy-feed and butterfat-feed ratios were well above the long-time average and above January 1941 levels. It is not surprising, therefore, that the Department of Agriculture data on the net income of typical dairy farms in two important producing areas show a sharp increase of net income between 1941 and 1945.

	Per farm net income		Percentage increase, 1941-45
	1941	1945	
Southern Wisconsin.....	\$2,144	\$3,680	72
Central New York.....	1,697	3,823	126

In summary, the increase of production, the relation of feed prices and dairy farmer returns, and the net income records all point toward a satisfactory level of dairy farmer returns in 1944 and 1945.

The milk production rate has fallen from the 1945 peak by 3 and a fraction percent, a percentage decline approximately equal to the decline in the number of dairy cows on farms. Why the number of cows declined is a matter of debate. Some point to culling the herds after having kept during the war some cows of questionable productivity. Perhaps dairy farmers shared the widespread concern of last fall that farm prices would decline. Many report farm labor scarcer than before VJ-day. Some may have already felt or anticipated the acute feed shortage which we are now experiencing. Certainly dairy farming was highly profitable in 1945 compared to 1941.

Not only has the number of dairy cows declined but feed and labor costs have risen also. For these reasons the Secretary of Agriculture recommended to the Director of Economic Stabilization "that returns to dairymen must be increased by an average of at least 31 cents per 100 pounds of milk over the next 12 months." An increase of slightly more than this amount, and with a timetable of increases that did not differ in important features was announced by Mr. Bowles on April 15.

Shortly before this announcement, Mr. Charles W. Holman, secretary, Nation Cooperative Milk Producers' Association, when testifying before the House Banking and Currency Committee, made a suggestion concerning the needed increase in dairy farmer returns in response to a question from Mr. Monroney.

"Mr. MONRONEY. But you are contending, I understand, that you need about 2 cents a quart increase to make up the producer's cost of production, in addition to the 2 cents for the loss of subsidies.

"Mr. HOLMAN. No. Two cents approximately, we will say, for the loss of subsidies, and some unknown figure, not very great, to make up for the other. That would be a matter of computation and cost studies in each community, the technique of which is well worked out and it would present no great difficulty. It might be half a cent, it might be three-quarters of a cent. It certainly would not be very much.

"Mr. MONRONEY. Not in any case over 1 cent?

"Mr. HOLMAN. I do not think so. Of course, I am speaking now projecting it rather than on the basis of study."

Half a cent a quart is equal roughly to 20 cents per hundredweight and three-quarters of a cent is equal to 30 cents. The increase announced by Mr. Bowles will be 40 cents by July 1. It is noteworthy that when testifying later before the Senate committee, Mr. Holman did not claim that the increase is inadequate, although he objected seriously to the increase by way of subsidy and to the fact that the increase was uniform to all producers and was not used to change geographic and interproduct price relationships.

In addition to testimony presented concerning the output of total milk and the dairy farmer returns, all representatives of the dairy industry criticized the price relationships among dairy products and the shortage of most of these products, particularly of butter.

In dealing with these problems it is important to keep in mind the total supply of milk. I do not know how much you think it is possible to increase milk production within a few months, either with the present price relationships among livestock and livestock products, by some redesigned set of price relationships, or if all price controls were removed. One could even assume last year's all-time high production, and the problem would be much the same—not enough milk for all claimants at current levels of demand.

Fluid milk consumption rose 25 percent from 1941 to 1945. This increase in pounds was a third higher than the increase in total milk production. It has been estimated that since the removal of the restriction orders, fluid milk consumption has risen another 5 percent.

Assuming the 1946 goal rate of production of 120.8 billion pounds and that uses other than for fluid and manufacturing remain the same as in 1945, there would remain substantially less milk (because of the sharp increase in fluid consumption) for manufacturing uses than in 1945. Even if milk production equalled the 1945 peak, there would still be less milk available for manufacturing than in 1945 because of the increased fluid consumption.

With these facts in mind it is notable that witnesses wanted more butter and evaporated milk, for example, but objected to any steps designed to prevent the diversion of butterfat and milk to ice cream and certain other products to which increasing amounts of milk have flowed since the removal of restriction orders last September. There were strenuous objections to proposals which would

bring prices of bulk fluid cream into line with prices that can be paid by retailers of bulk cream and ice cream manufacturers and in line with butter prices. At the same time it was contended that butter was discriminated against under price ceilings.

With respect to butter, the pricing arrangements were those recommended by the War Food Administration in 1942 and 1943, as needed to encourage the delivery of whole milk rather than farm-separated cream. For that reason nonfat solids were given a relatively favorable price as compared to butter. This pricing arrangement aided in bringing about a considerable increase in delivery of whole milk to manufacturing plants by producers who previously sold farm-separated cream. Of course, that raises the question as to whether the returns from farm-separated cream are adequate production. The principle of making the dairy production payment rates on farm-separated cream at least one-fourth of the rate on whole milk has gone a considerable distance in favoring farm-separated cream. A 1 to 4 ratio assumes no feed value in the skim milk retained on the farm because the butterfat content of milk averages about 4 percent. Further, as I indicated above, the margin over cash costs in the production of farm-separated cream has gone up as much as the margin over cash costs in the production of whole milk.

Following the removal last fall of the restriction orders on the use of butterfat, the consumption of ice cream and fluid cream rose sharply. This brought about a sharp increase in the price of fluid cream in bulk on which no ceilings existed. This encouraged the diversion of butterfat from the manufacturer of butter to these other uses and at the same time squeezed the margin of cream retailers and low-priced ice-cream manufacturers. Since this one price representing only a modest fraction of total milk production was out of line with other prices the proper step, in our judgment, is to bring prices of cream into line with the prices of other products. In contrast it has been proposed that the price of fluid cream should be used as a starting point to which all milk and dairy products prices should be related. For example, it is proposed that instead of reducing bulk cream prices, the price of butter should be raised to match the inflated bulk cream prices. Of course, if that were done the prices of butter and powder together would be so high that evaporated milk and cheese would have to be raised. Then, because the prices paid by processing plants generally would have risen so much, the price of milk for fluid uses would have to be increased automatically in the Federal Order Markets and by necessity in a large portion of the remaining markets, in order to prevent diversion. Note that this general increase of milk and dairy products prices is not related to increases in farmers' costs but is solely to bring the prices of the major uses of milk into line with the minor use of milk, namely, cream. This is certainly a perfect example of the tail wagging the dog.

When we begin to remove subsidies and replace them by price increases we will make any necessary adjustments which are appropriate at that time in the relative prices for the various products of milk. Of course, it is less painful to make adjustments by failing to increase some prices while others are advanced than to actually reduce those which are out of line.

In summary on the manufactured dairy products, I wish to refer back to the problem of what to do with too little milk. Too frequently, the suggestions made, usually product by product, mean simply that more is wanted and can be had of each dairy product only if certain steps were taken. That comes from looking at the problem piecemeal. There cannot be a sharp increase in output of any important dairy product, say butter, within the next few months, even if price control were suspended without a reduction in other uses of milk. Of what should we have less? Evaporated milk? Cheese? Fluid milk?

It is the unwillingness to face the fact that having more of one important dairy product means having less of others which has led the representatives of the organized dairy interests to the counsel of desperation—namely, the suspension of price control. If that were done, and if other livestock product ceilings were held tightly—a questionable assumption—there might be a slightly greater increase in total milk production than under price control but it would in no way alter the conclusion that having more of one important product means having less of others.

Our program is one of working with the Department of Agriculture to keep a balanced set of relationships. Of course, balances are upset by changing conditions and revisions have to be made. We stand ready to make necessary revisions such as we have made in the price of casein and for butter through favorable subsidy rates on farm-separated cream. We have in process a price adjustment for evaporated milk and we intend to get bulk cream prices in line with the prices of other dairy products.

Mr. PORTER. The same thing is true with respect to the testimony of the Retail Dry Goods Association. We have some brief comments on that. And then you will recall that there have been questions raised during the proceedings as to the legal bases for cost absorption. I would like to insert in the record a memorandum dated November 15, 1945, from the general counsel to the Administrator, on that particular subject.

(The following was later received for the record:)

STATEMENT OF THE ADMINISTRATOR REGARDING TESTIMONY OF NATIONAL RETAIL DRY GOODS ASSOCIATION REPRESENTATIVES, PARTICULARLY WITH RESPECT TO PRICING OF LAWN MOWERS

Mr. E. W. Heilmann, price executive of the Housewares and Accessories Price Branch, testified before your committee on Friday, May 3. I should like to supplement Mr. Heilmann's testimony on a few points not clearly brought out in the testimony.

In my staff meetings I have stressed the need for speedy action on industry and individual price adjustments. While we have not been able to accomplish our objectives with the speed we would like in each case, I do believe our record is a good one on the lawn-mower industry.

The new wage-price policy was announced by President Truman on February 14 in Executive Order No. 9697. Operating instructions under this order were formulated and communicated to the Price Department during the first week in March.

Under these instructions, the lawn-mower industry, as well as many other reconversion industries, were to be resurveyed to give recognition to legal wage and material increases incurred by the industry since August 1945. The committee will recall from the testimony that this industry received an increase of 17 percent over its 1941 prices in October 1945.

A telegraphic request for current labor information was sent to the industry on March 8, 1946. By March 26, we had received sufficient returns from the industry to permit us to recalculate their prices. On April 4, the vice chairman of our industry advisory committee was advised of the new increase factor of 28 percent which had been determined.

The legal document and the statement of considerations justifying it were completed and approved by the Consumer Goods Division on April 10 (11 working days after the returns were received from the industry). Unfortunately, there was a delay of 10 days in receiving approval of the record keeping and reporting provisions of the order from the Bureau of the Budget as required by the Federal Reports Act of 1942. This delay, plus the necessity of arranging for publication of the order in the Federal Register and for its printing did not permit the formal issuance of the order until May 1.

Between the time of the first adjustment granted to the industry in October 1945 and our recent industry action, manufacturers were at liberty to file for an adjustment of prices on an individual basis. Several companies were handled in this manner.

I should like to bring to the committee's attention some observations concerning the appearance of members of the NRDGA before this and other congressional committees considering the Emergency Price Control Act, or investigating its administration.

1. The NRDGA is an organization consisting wholly of retail merchants.
2. The problems presented to the committee by this retail association are chiefly those of manufacturers and not of retailers. As a result the evidence presented is at best second-hand and incomplete and at worst mere rumor.
3. As we have reported again and again to various committees of Congress, OPA investigations have disclosed numerous and often gross errors in these NRDGA reports, despite the fact that the NRDGA's practice of not disclosing the manufacturers' names has greatly impeded our investigations.
4. It is significant that few if any manufacturers of hard goods appear before these committees to state their problems.
5. The cases brought to the attention of the committee are obtained by requesting the association's large membership to send to it reports of details of "horror" cases. Considering the thousands of pricing orders issued by OPA each month and the tens of thousands of manufacturers under price control, we believe our record must be reasonably good if the NRDGA is able to turn up so few authentic cases after such a diligent search.

ADMINISTRATOR'S STATEMENT REGARDING THE LEGAL BASIS OF COST ABSORPTION

In the course of the testimony before the Senate Banking and Currency Committee some question was raised pertaining to the legal basis for the OPA policy of cost absorption. I believe the following memorandum discussing this will be helpful to the committee.

NOVEMBER 15, 1945.

Memorandum

To: Chester Bowles, Administrator.

From: Richard H. Field, general counsel.

On November 13, appearing before the House Small Business Committee, you made the statement "that cost absorption (at retail) was required by the language of the Price Control Act," and "that congressional * * * orders give us no choice but to require cost absorption." Senator Wherry asks where in the Emergency Price Control Act that requirement is to be found.

Section 1 (a) of the Emergency Price Control Act states the purposes of the act. The act is intended to "stabilize prices and to prevent speculative and unwarranted increases in prices, to protect persons with relatively fixed and limited incomes," "to prevent a post emergency collapse of values," et cetera. These purposes provide the general marching orders with respect to stabilizing the economy.

The original Emergency Price Control Act contained no other limitations on the Administrator's authority to raise prices. Section 2 (a) of the Emergency Price Control Act spells out the general standards to be followed by the Administrator in determining how low ceiling prices could be. Thus, the act left an area of discretion to the Administrator. Ceiling prices had to be high enough to satisfy the standards in section 2 (a), but low enough so as not to interfere with the effectuation of the purposes of the act as stated in section 1 (a). Ceiling prices originally established were somewhere in between these two limits.

On October 2, 1942, the Stabilization Act of 1942 became law. The President was authorized and directed to issue a general order stabilizing prices affecting the cost of living, with certain exceptions, on the basis of the levels which existed on September 15, 1942. The President was given the authority to provide for making adjustments with respect to prices to the extent that he found them to be necessary in order to aid in the effective prosecution of the war, or to correct gross inequities. The Stabilization Act thus removed for the most part the discretion granted in the original price control act. Reading the two acts together, it clearly appears that ceiling prices in effect on September 15, 1942 were to be maintained except to the extent that increases in prices were necessary to aid in the effective prosecution of the war, to correct gross inequities under standards to be laid down by the President, or to bring ceilings into compliance with the minimum standards indicated by section 2 (a) of the Emergency Price Control Act.

Of course, the Executive orders dealing with price stabilization ultimately issued by the President spelled out the procedures for determining whether or not increases were necessary to aid in the effective prosecution of the war, or to remove gross inequities. Our interpretation of the standards in section 2 (a) for determining the minimum requirements of the law have been explained to Congress in detail on several occasions, and approved by the courts. Decisions on this subject are cited in a letter which I have written today to Senator Tom Stewart. A copy of that letter has been sent to Senator Wherry.

Cost absorption at retail occurs when retail prices are not increased to offset manufacturers' increases. Under the standards of section 2 (a), retail increases are not required by law merely because manufacturers' prices are increased. They are required only when over-all earnings of the retail trade groups affected are reduced below peacetime levels (the earnings standard) or when retail prices on individual products become unreasonably low in relation to costs (the product standard). Under the standards governing price increases to aid in the effective prosecution of the war, or to remove gross inequities, increases in retail prices to offset manufacturers' increases are not proper. Consequently, Congress has clearly directed that retail ceilings are to be held in spite of the fact that manufacturers' increases are granted, provided that the standards of section 2 (a) in the Emergency Price Control Act are at all times met.

Senator MILLIKIN. Mr. Chairman.

The CHAIRMAN. Yes.

Senator MILLIKIN. The other day I was having a talk with Mr. Sells on the same subject, and he has written me a letter which I

would like to read, and attached to the letter is a copy of a talk that he made on the subject of cost absorption, and I would like permission to introduce both the letter and the talk in the record, but first I would like to read it before I hand it in.

The CHAIRMAN. You want to read it?

Senator MILLIKIN. No; I would like to read it for my own information.

The CHAIRMAN. Oh, yes. Very well.

(The documents supplied by Mr. Millikin are as follows:)

OFFICE OF PRICE ADMINISTRATION,
Washington 25, D. C.

Hon. EUGENE D. MILLIKIN,
United States Senate, Washington, D. C.

DEAR SENATOR MILLIKIN: In an informal discussion following the testimony of Dr. Paul H. Nystrom at the April 29 hearings of the Senate Banking and Currency Committee you kindly agreed to receive from me and insert into the record a critique of Dr. Nystrom's arguments on cost absorption and a correct statement of our position. I am submitting this material herewith.

Dr. Nystrom attacked OPA's cost-absorption policy as arbitrary and unfair—because—he said—it endeavored to hold the line by granting manufacturers increases at the retailers' expense. This is not the case.

Cost absorption has been applied at all levels of manufacturing and distribution as a basic policy of price control. Briefly it involves the requirement that cost decreases must offset cost increases, before a cost increase may be reflected in a price increase. However, under our industry earnings standard, no absorption is required if an industry's earnings are reduced below a base period average (usually 1936-39). In addition, even though over-all earnings are satisfactory no absorption is required on individual products in a multiproduct industry unless total costs are covered. In the case of retail, this means that margins on an individual item must cover the expense of handling the item.

Cost decreases have occurred for manufacturers and retailers as a result of increased volume. For department stores, for example, although absolute dollar expenditures for salaries and wages, rent, and other items are up, the total expense budget, as a ratio to total dollar sales fell from 35 percent in the base period, 1936-39, to 27.5 percent in 1944. This means that the retailer has an additional 7 cents out of each dollar of goods he sells because of the relative decline in selling expense above. OPA takes the position that as long as this is the case, any increases granted to manufacturers because the manufacturers themselves no longer have absorptive capacity or for supply reasons, can and should be absorbed by the retailers up to the point where they themselves no longer have any further absorptive capacity as measured by our operating standards.

Despite trade statements that the end of war with Japan brought an increase in operating expenses as wages and rents increased, this Office, in a special study among shoe retailers, found that operating expenses in the first quarter following the victory over Japan were below those in the same period in 1944 (25 cents out of the sales dollar as compared with 25.5 cents). Unless and until operating expenses actually increase considerably as a percentage of the sales dollar, it is clear that cost increases in the form of higher prices paid for merchandise purchased need not and should not be reflected in higher selling prices. Moreover, cost absorption has not prevented the expansion of profits to high wartime levels (11 percent for department stores, over 12 percent for shoe stores, 10 percent for furniture stores, etc., against prewar profits of 1 to 5 percent) in a period of expanding sales.

In this connection, it is clear that distributor sales are increasing rapidly, despite Dr. Nystrom's contention that the speed-up of production could only be obtained by relaxation of price control. At the hearing Senator Mitchell referred to Federal Reserve figures showing civilian production at an all-time high. Dr. Nystrom agreed that the figures were probably correct, but stated that the merchandise was not going through regular retail channels.

Presumably he meant that merchandise was going through the black market and not through the regular stores which were empty of merchandise according to his testimony.

However, retail furniture stores, one of the groups represented by Dr. Nystrom, reported for the first quarter of 1946 a sales volume 35 percent above the corre-

sponding period in 1945. It is to be noted that the comparison is not made with a prewar year but with 1945 when retail sales reached an all-time high. Moreover, this increase in volume is general throughout the retail trade. Department stores reported sales 15 percent above the first quarter of 1945, shoe stores 9 percent, men's apparel 10 percent, and radio and home appliance stores 68 percent. Since Easter came April 1 in 1945 and April 21 this year, these percentages do not accurately reflect the large increase in retail sales. Newspaper reports indicate that April sales were in many cases 30, 40, and 50 percent above 1945.

Our conclusion from this is the same as the one you stated—that over-all production and legitimate distribution are increasing and that the shortages that have caused so much comment are on specific items. It is our firm belief that the excellent over-all record offers conclusive evidence that price control in itself does not deter production, and in fact is of great benefit in permitting planning of production by businessmen. The facts are that shortages of raw materials and labor along with strikes are far more important insofar as specific shortages are concerned.

In summary, we feel strongly that "cost absorption" is justified; in fact, we believe that not requiring "cost absorption" would be violating the clear intent of Congress as to the proper approach to price control. In this, the Office is, in part, supported by one of the groups which Dr. Nystrom was "unanimously" representing. If you will refer to the testimony of the Retail Furniture Association before the House Banking and Currency Committee, you will observe that that group strongly endorsed at least partial "cost absorption" by renouncing the right of distributors to a full percentage increase on every increase in the cost of merchandise.

I shall be glad to give you any additional data which you may wish on this very important subject.

Sincerely,

SAUL B. SELLS,
Assistant Director, Consumer Goods Price Division.

COST ABSORPTION AS IT AFFECTS THE TEXTILE AND GARMENT INDUSTRIES

(By Saul B. Sells, Assistant Director, Consumer Goods Price Division, Office of Price Administration)

Gentlemen, the Commerce and Industry Association of New York occupies a distinguished position in the business world, not only in New York City, but in the entire Nation. Your officers and members are men of wide reputation as leaders in their respective fields. For this reason we in OPA were honored to accept your invitation to participate in this round table on cost absorption. I will attempt to outline the issues and then to give you my own appraisal of this policy as a Government official and as a businessman.

For several years I have had an opportunity to observe the effects of this and other policies as they affect a wide range of industries operating under price control. During this period I was closely responsible for the financial and cost information collected from industry. Then, for the last year and one-half, I have obtained a closer view and I have shared the responsibility for administering the policies and regulations in the vast consumer goods field including the textile and apparel industries. I feel, therefore, that I can look at the problem from both points of view. I will confine my opening remarks to a detailed analysis of the cost-absorption problem, but I will be glad to answer questions later.

Cost absorption is a term which has for some reason come to have a special connotation as a policy applied to the distributive trades—wholesale and retail. Perhaps the reason for this is that the organized retail trades have been most vocal in their objections to this policy.

Actually, cost absorption is a foundation stone in the structure of OPA price policy. It applies at all levels of manufacturing and distribution, in all industries including the textile and garment industries. Without cost absorption we could not possibly attain effective price control.

Let me explain the principle and its application at various levels of industry. This requires an understanding of the provisions of the law. First, the Price Control Act provides that the Administrator shall set ceiling prices in the first instance with due regard to levels prevailing during the period October 1 to 15, 1941. In the event that period is inappropriate, he is directed to consider the closest period to that during which competitive conditions prevailed. Second,

after initial establishment of ceilings, he is directed to maintain them at levels which are generally fair and equitable.

It was the responsibility of the Price Administrator to develop working rules and standards to carry out the general language and intent of Congress. The standards which were developed were examined in minute detail by both Houses of Congress on at least two occasions and received their approval. They were also reviewed by the courts and upheld.

Price ceilings were imposed in the beginning where there were clear indications of trends to inflationary price levels. Most of the early schedules of ceiling prices stabilized commodities at the level of October 1941 or at those of later months of that year. The big freeze of GMPR selected the level of March 1942.

Once ceiling prices were established for the bulk of commodities the problem was to have a uniform standard to determine when they might become no longer "generally fair and equitable." In other words—to determine when and how much they should be increased.

This led to what is known as the industry-earnings standard which is the basis of cost absorption. This standard provides simply that ceiling prices are no longer generally fair and equitable if they yield industry an over-all return on its current net worth which is less than the industry's over-all return in a normal peacetime period. Thus, the test compares an industry's earnings in the most recent fiscal period with earnings (before taxes, of course) in a base period. For most industries the period of 1936 through 1939 is used as the base period. This corresponds with the base period chosen by Congress for the excess-profits tax.

Let me cite a simplified example of the application of the industry earnings standard. Suppose we examine the consolidated financial statements of the entire industry which manufactures product A. We have current data and reports for 1936, 1937, 1938, and 1939. Here are the facts:

Base period (1936-39):

Average net profit before taxes.....	\$2,000,000
Average net worth.....	25,000,000
Average net sales.....	50,000,000
Current period net profit.....	2,000,000
Net sales.....	65,000,000
Net worth.....	50,000,000

Note that current net worth is double the base period while profits are the same as in the base period. Base period profit of \$2,000,000, adjusted for a 100-percent increase in net worth, becomes \$4,000,000. Since current net profit is \$2,000,000, ceiling prices must be advanced and in an amount sufficient to raise net profit up to \$4,000,000.

This is done by adding \$2,000,000 (the amount of additional profit to be allowed) to net sales and then computing this increase as a percentage of net sales. The price increase percent can thus be measured accurately. In this example it is 3 percent which is derived by dividing \$2,000,000 by the current net sales figure of \$65,000,000.

If this example had shown that the industry's current earnings exceeded base-period earnings adjusted for increases in net worth, no price increases would be required. Thus the industry earnings standard requires cost absorption by an industry up to the point where current earnings fall below the base-period earnings adjusted for increases in net worth. Most of the textile and garment industries and the wholesale and retail sellers of their products were earning considerably in excess of their base-period earnings when initial ceilings were set. In some cases price increases were later required when the limit of cost absorption was reached. There have been other cases where cost decreases have offset cost increases and the limit of absorption has not yet been reached. In such cases no price increases have been granted.

It is truism that one man's price increase is another man's cost increase. Hence price increases granted at any level of industry inevitably raise questions of cost absorption at the next level. These are reviewed in terms of the industry earnings standard and some related tests which I cannot develop in detail now. Thus if a fabric manufacturer's price for a commodity is advanced, this increase becomes a cost increase to converters. If the converter's price is advanced, this becomes a cost increase to the garment manufacturer. If the garment manufacturer's price is advanced, this becomes a cost increase to the wholesale or retail distributor. OPA examines the possibility of securing cost absorption at the next level before passing through price increases granted at any prior level.

There is no doubt that if this policy had not been followed, the increases in the cost of living resulting from price advances on textiles and apparel would have been far greater than those which have occurred.

Since the general maximum regulation was issued in the spring of 1942, with the exception of occasional individual adjustments, there have been no general price advances on rayon fiber, yarn, or fabric. The same is true for wool. (Surely there have been cost increases in these fields in the form of labor costs and in indirect costs.) This is not true, however, for cotton. The cotton-textile industry has been the beneficiary of special legislative standards required by the Bankhead-Brown amendment to the Stabilization Act. This amendment provided that the Administrator must set ceiling prices for each major item made in whole or major part of cotton or cotton yarn so that the ceiling reflected at least parity for cotton, conversion cost, and a reasonable profit. It is apparent that such a standard is far more liberal than the industry earnings standard in that the Bankhead amendment restricted the amount of cost absorption that could be required. The results are self-evident. Cotton-textile prices have advanced on the average over 20 percent since GMPR was issued, practically all of which occurred since June 1944 when the Bankhead-Brown amendment was passed.

In the garment field, although almost all important items are under margin types of regulations, cost absorption is nevertheless applied in one of several forms—either through margin roll-backs, or absorption of wage increases granted since the issuance of the regulation.

Absorptive capacity of the textile and garment industries has in some cases virtually been reached. We have considered seriously the inadvisability of requiring absorption to the maximum extent required by law and in most cases have left a cushion over base-period earnings for industries in the textile and garment field. If any general price increases are hereafter granted for fabrics some of them may be passed through at the converting level, the manufacturing level and where absorption has already been required of distributors, may be pyramided right through to the consumer.

This is a serious problem from the standpoint of price control. The cost of living in general has risen 23.5 percent since 1941 and 40.6 percent for the clothing and apparel component alone. This segment accounts for 13 percent of the cost of living and further significant advances on clothing and apparel will mean a dangerous trend to inflation.

In my opinion, cost absorption, as I have endeavored to explain it to you—simply and in barest detail—is synonymous with price control itself. Unless we follow such a plan we cannot avoid an inflationary boom of serious proportions. Those who are critical of price control today may well heed this proposition. I believe that every sensible businessman wants to protect his own investment and the future of his own business as well as the entire economy of this great country. I believe that he must therefore want to continue price control until the danger point is passed. I believe he may question (and perhaps properly so) the advisability of adhering today to 1936-39 as a base period in every case. Perhaps he may find other detailed points on which adjustment is needed. But I do not believe he can achieve price control if he is willing to pyramid every cost increase from its source through every successive level of markup to the consumer.

Mr. PORTER. Then there was a request made for certain information concerning the operations of OPA's Information Department, which I will supply for the record.

(The following was later received for the record:)

ANALYSIS OF OFFICE OF PRICE ADMINISTRATION INFORMATION EXPENDITURES

Following is the material concerning the OPA Information Department which Mr. Zenas L. Potter of the Office of Price Administration agreed to supply to the committee in the course of his testimony of April 23, 1946.

Information department operations

Public cooperation, based on full information, is necessary if the Office of Price Administration's programs for price and rent control are to be carried out effectively. The OPA through its Department of Information, operates on the theory that factual material embodying the "why" as well as the "how" of OPA actions is an essential part of good administration. Most of OPA compliance must come from informed consumers, merchants, businessmen, landlords and tenants who

understand what the program is aimed to do and the nature of their parts in that program. Actual enforcement procedure is important to punish wrongdoers. But the Information Department tells the vast majority of patriotic and honest citizens about their rights and responsibilities and their important part in the price and rent-control programs.

Such factual material is distributed through OPA's national and field offices and the local price-control boards, through organizations and groups of consumers, businessmen, merchants, and through newspapers, radio stations, and other media. Most of the space, time and materials used are provided by private agencies as public services without charge to the Government. Radio time is a notable example. Information Department personnel prepares the material in a form usable by radio stations, or other available media, and distributes it among those informational media which have indicated a desire for it.

The magnitude of the industrial and mercantile fields covered by OPA pricing is such, and changes are so frequent under the agency's flexible formulas and frequently changing economic conditions, that a very large proportion of Information's activities are devoted to writing and distributing spot and immediate news about the program—keeping the people and the trades involved currently informed on what the program calls for. Similarly decontrol of wartime rental areas and expansion of rent control to new pressure areas requires intensive information emphasis to increase landlords' and tenants' understanding of the actions.

The Information staff, both in the National Office and in the field offices since VJ-day, has pointed its activities more directly to price control of critical commodities. The following estimate of expenditures for the fiscal year 1946 covers the national, regional, and district office operations in the information activity.

<i>Information activity</i>		<i>Estimate 1946</i>
Personal services:		
Permanent—Base pay		\$1, 799, 653
Permanent—Differential		13, 939
Temporary—Base pay		8, 693
Overtime		38, 892
Total operating cost		1, 861, 177
Add terminal leave		57, 297
Total personal services		<u>1, 918, 474</u>
Other objects:		
Travel (by national office and field personnel)		115, 014
Transportation of things ¹		16, 671
This item includes the cost of shipping equipment, supplies and materials, printed and duplicated matter, and household goods of employees transferred between offices of the OPA.		
Penalty mail		16, 945
Communications ¹		44, 502
Rents and utilities ¹		67, 510
Printing and binding		252, 126
Special projects		4, 621
This item includes services rendered by other Government agencies. In the early part of the fiscal year 1946 OPA, through arrangement with OWI, and sponsored several programs of the radio show <i>Hasten the Day</i> .		
Other contractual services ¹		129, 712

This item includes miscellaneous repairs and maintenance, alterations, and services performed by persons or organizations under contract arrangement with OPA. A pro rata share of the agency's total expenditures in these categories is charged to the information activity. In addition there is included in the total amount specific informational items such as radio, motion pictures, surveys, slide films, duplicating of press releases.

See footnotes at end of table, p. 1780.

Information activity—Continued

Other objects—Continued	<i>Estimate 1946</i>
Supplies and materials ¹ -----	\$12, 638
Equipment ¹ -----	1, 143
Total other objects-----	<u>660, 882</u>
Total obligations-----	<u>2, 579, 356</u>

¹ In accordance with standard budgetary practice, a prorata share of the agency's total expenditures in these overhead and general operating expense categories is charged to the information activity.

Mr. PORTER. And finally, two documents from Mr. Ivan Carson, the Deputy Administrator in Charge of Rents, in response to some questions that were raised during the course of the testimony on the rent problem.

(The documents referred to are as follows:)

STATEMENT BY IVAN D. CARSON, DEPUTY ADMINISTRATOR FOR RENT, ON THE TESTIMONY OF J. S. LOVE, JR., PRESIDENT OF THE MISSISSIPPI HOTEL ASSOCIATION

PROPOSAL

The Mississippi Hotel Association, through Mr. Love, requested the decontrol of hotels in the Gulfport, Miss., area.

COMMENT

This Office to date has refused this request for the following reasons:

1. Approximately 8,000 rooms of all types are registered under the hotel and rooming-house regulation in this defense-rental area. According to Mr. Love, about 12 hotels, with 1,400 rooms, are covered by the request of the association. It would be an act of administrative discrimination to isolate 12 hotels, decontrol them, and allow them to charge whatever the traffic will bear at a time when transient rooms in other types of accommodations are kept under rent control.

2. There are a substantial number of accommodations which Mr. Love's association might consider rooming houses or boarding houses, which call themselves hotels. These accommodations, it is reported, have a substantial number of year-round occupants. No evidence has been presented that the year-round demand for occupancy of rooms in such accommodations has declined to the point where rent control could be removed without bringing about substantial rent increases. Such rent increases would immediately bring evictions and general dislocations in the housing of the area.

3. Mr. Love agrees that the over-all housing situation in this defense-rental area is still tight and has stated that it would be impossible to decontrol the whole area without serious consequences.

4. The over-all occupancy figures presented before the Senate committee fail to list individual occupancy rates of key hotels in the area; for example, the following are the occupancy percentages for the Markham, the Buena Vista, and the Avezel Hotels:

Month	Markham	Buena Vista	Avezel	Month	Markham	Buena Vista	Avezel
September-----	89	72	95	February-----	95	95	92
October-----	83	80	90	March-----	96	97	90
November-----	86	74	84	Average percentage.	87	78.4	89.7
December-----	77	70	87				
January-----	82	81	90				

It should be noted that the 7 months indicated include only 2 months which Mr. Love in his testimony has called the season. These 7 months do not include the summer period. On the basis of these occupancy figures of the past 7 months, it seems difficult to describe these accommodations as being subject to a purely seasonal pattern.

This Office is at the present time conducting an inquiry into the occupancy of accommodations outside of the 12 hotels covered by Mr. Love's association. If

data reveal that the supply of accommodations is such that substantial rent increases will not result from decontrol, this Office will not continue rent regulations in effect any longer than is necessary.

STATEMENT OF IVAN D. CARSON, DEPUTY ADMINISTRATOR FOR RENT, WITH
RESPECT TO THE TESTIMONY OF VARIOUS WITNESSES BEFORE THE COM-
MITTEE

PROPOSAL

The Metropolitan Fair Rent Committee of New York and the National Apartment Owners' Association proposed an amendment requiring the Administrator to remove rent control permanently from any State adopting a State law authorizing the local authorities in the State to control residential rents.

COMMENT

The argument is that rental housing is a localized problem and that, even though State control turned out to be ineffective, or resulted in a very substantial rise in the rent level within the State, the effects would not extend beyond the borders of the State or affect the over-all stabilization picture.

While it is true that, when pressures ease, rent will become a local problem, and, eventually should be taken over by the States or municipalities where it is still needed, today it is a national problem of high priority. As the largest item in the average family budget, a drastic rent rise in one State would have repercussions on the whole stabilization front. Workers in that State would, of necessity, demand compensating wage adjustments, which in turn would require price relief for their employer. These increases could not be isolated but would vitally affect our over-all economy and spread far beyond State borders. With our whole production and price structure in tenuous balance rent control is a national, not a local problem and uniformity of control is of great importance. New York State has impliedly recognized this in the local residential rent statute passed recently by the State legislature. This statute provides that it shall not go into effect unless and until Federal rent regulations are removed. Section 11 (1) of the New York Rent Control Act reads as follows:

"The establishment of a rent-control area and the establishment of maximum rents therein and of regulations and orders relating thereto shall not be or become operative so long as rent control therein established by the Federal Price Administrator pursuant to the Emergency Price Control Act of 1942 as amended, or other duly authorized officer or agency of the United States pursuant to any Federal law, is in force and effect."

There are also a number of technical objections to an amendment as sweeping as that proposed. From 1919 to 1930 a number of rent statutes were passed by various States. Some purported to regulate only a segment of residential rents, others dealt primarily with evictions while at least one, after passage, was declared unconstitutional under the State constitution. Would the passage of any State act purporting to regulate rents in some particular make mandatory the decontrol of all areas within the State within 30 days? Would the passage of enabling legislation authorizing municipalities within the State to enact rent ordinances carry a similar mandate? Would the passage of a manifestly unconstitutional act require removal of Federal controls? The amendment contains no clear answer to these questions, but a liberal construction would seem to require controls be removed within 30 days after a State passed any statute purporting to regulate all or a segment of residential rents regardless of its efficacy or constitutionality. The Emergency Price Control Act itself recognizes that rent and price are interrelated and a part of the national stabilization effort during the period of emergency and the amendment proposed seems entirely unreconcilable with its other provisions.

The OPA is not anxious to retain controls in any area after rent has ceased to be a national problem. Until that time comes, however, the passage of an amendment of the character of that proposed could conceivably have the gravest consequences to the effective control of prices and wages in our whole economy.

PROPOSAL

The National Apartment Owners' Association proposed an amendment exempting from rent control housing units created after October 1, 1945, by alterations, rehabilitation, or new construction.

The necessity for controlling rents for newly created dwelling units needs little elaboration. Demand for housing is still way out of balance with supply in rent-control areas. As new units come on the rental market they are subject to the same inflationary pressures as the rents of existing units. As long as this terrific pressure is present, it is clearly the duty of this Office under congressional mandate to prevent inflation in residential rents, regardless of whether a housing accommodation is 50 years old or whether it is currently being constructed or converted for tenant occupancy.

During the war period, substantially all housing built required priorities on essential building materials. The War Production Board delegated the grant of priorities in this field to the National Housing Agency which, in turn, programed housing to areas in which new housing was vital to the conduct of the war. In connection with the grant of priorities, the builder agreed to a sales ceiling and a rent ceiling on the house when completed. These ceilings originally were \$6,000 and \$50 a month maximum and were near the end of the war increased to \$8,000 and \$60, respectively. The OPA accepted the rental ceilings set by agreement between NHA and the builder as the maximum rents for such housing under the rent regulations (sec. 4 (f)).

On October 15, 1945, War Production Board Order L-41, which governed priorities on building materials, was revoked, and since it was no longer possible to obtain materials under priorities, the establishment of rental ceilings, formerly a matter of contract between the builder and the National Housing Agency and accepted by the OPA under section 4 (f), became the sole function of the OPA. During an interim period rental ceilings on proposed construction were set by the OPA which gave binding advance commitments to builders on rents they would be permitted to charge on completion. Liberal allowances were made for increases in costs of construction and factors of modernity to encourage such construction. Under this program, a large number of approvals were given to rental projects in various sections of the country.

It soon became apparent, however, that the shortage of building materials was so acute that unless a builder could obtain assurance that critical items would be available, no large-scale building program was possible. Such materials as were being produced were to a large extent going into more expensive type of housing or to commercial building. In view of this situation, the Civilian Production Administration on January 15, 1946, reinstated the priorities and allocation controls formerly exercised under War Production Board Order L-41 with some modifications. Under the revised program a builder securing priorities for designated critical materials had to agree to a maximum sales price of \$10,000 and a maximum shelter rental of \$80 a month. On March 26, of this year, to conserve materials for veterans' housing by curtailing nonessential construction, the Civilian Production Administration issued Veterans' Housing Program Order No. 1, known as the general limitation order. The order called to a halt all types of construction which were not already underway on March 26, 1946, except that dwelling units being built with priorities under the reconversion housing program, instituted in January, could continue. A further extension of CPA's priorities regulation for housing provides that except in a few unusual cases no new dwelling units may be created unless they conform to the requirements of the veterans' housing program. In other words, the Federal Housing Administration, which acts as agent for the Civilian Production Administration, will in general permit no new units to be built for which rents exceed \$80 monthly. In order to receive FHA approval, the rents must also bear a reasonable relationship to the value of the proposed accommodation.

The OPA, in order to speed the construction of rental housing under the housing program, has agreed to accept these FHA approved rents for new construction as the maximum legal rents under the rent regulations just as this Office accepted rents for priority construction during the war.

The establishment of rent ceilings on new construction is no longer strictly an OPA matter. Housing legislation passed recently by both Houses of the Congress provides for the fixing of rental ceilings on housing units built with priorities. Senator Taft called the attention of one of the witnesses to this and stated that to pass the amendment proposed to the Price Control Act Congress would have to reverse the action it had just taken.

The whole emphasis of the veterans' housing program is to provide low- and medium-cost housing, both for sale and for rent, to veterans of World War II. The proposed amendment to exempt new rental units is not in harmony with the spirit of the program and, as Congress has recognized, would only aggravate the difficulties facing the Housing Expediter.

PROPOSAL

The Metropolitan Fair Rent Committee of New York and the National Association of Real Estate Boards submitted amendments which would require the Administrator to adjust individual rents so that the rent ceiling applicable to each individual property is sufficient to produce revenue to cover all current costs of operation, administration, management, repairs, current and deferred maintenance, depreciation, vacancies, plus a "reasonable" return on the fair value of the property.

The Administrator has repeatedly argued that the maximum rent date method not only satisfies the test of general fairness and equitability but is the only feasible and effective way to halt inflation in rents.

The fallacy of "fair return on fair value" lies in the misapplication of a concept which developed historically in connection with rate regulation for recognized public monopolies. It is a completely unrealistic and unworkable concept to apply in an emergency situation where national interest dictates the expeditious regulation of literally millions of rental units. The method of establishing a "fair return on fair value" for each individual property would impose a staggering administrative burden and would make inevitable intolerable delays in setting rent ceilings on a national scale.

That Congress was aware of this is evident in its repudiation of fair return on fair value to individual landlords. The Emergency Price Control Act provided clear statutory authority to stabilize rents at the level prevailing on a certain date. The rent date method establishes rents at levels which landlords and tenant had established by free bargaining in a competitive market before this market was distorted and dislocated by war pressures. Obviously Congress did not assume that all landlords were receiving the same rate of return or that each landlord was receiving a "fair" rate of return. Differences in rate of return exist in any competitive market. Some landlords may purchase their properties or borrow their capital on more favorable terms than others. Some are more efficient in the operation of their accommodations. Also certain vagaries of fortune such as shifts in tenant preference for certain types of housing may produce differential returns. The date principle recognizes and continues in effect the conditions of a free market when landlord earnings were a result of the normal workings of the rental market.

The tremendous administrative obstacles of a program based upon fair return on fair value are conclusive enough argument in themselves against such a system of control. But there are additional objections which make the problem of determining a fair return on fair value well-nigh insoluble.

First, there is no satisfactory standard by which the "fair" value of individual rental units may be measured. To use market values would be inconsistent with the purposes of rent regulation because market values have become notoriously inflated by virtue of the inordinate demand for an inadequate housing supply. Tax valuations are unsatisfactory as a uniform basis for determining fair value; in some localities they are absurdly low and in others they exceed prices obtaining in the market. Original cost less depreciation must be ruled out since it is often unknown by current owners. Reproduction costs less depreciation is not a reliable measure of current value. Aside from this it would reflect recent increases in building costs many of which are of temporary character and would clearly result in inflated rents.

Second, what is a "fair" return for a rental unit? Different types of investment yield different rates of return. Even for similar types of investment, rates of return vary considerably for individual properties under normal conditions.

There is the additional complication that determinations of fair return and fair value would require accurate and extensive bookkeeping records. Many landlords do not keep such records and many others who have recently acquired their rental properties do not know the facts concerning their construction and early operation.

Aside from the fact that establishing rent ceilings which would afford a fair rate of return for 15,000,000 dwelling units is an impossible undertaking, the factors involved in determining a fair return are so varied and so conjectural and so difficult in their ascertainment that rent control based upon such a method would not be a system of control at all.

The difficulties inherent in administering a rent control program based upon individual determinations of fair return on fair value are clearly illustrated by rent control experience after World War I. For example, in New York, the courts pointed out the impossibility of establishing a standard by which a fair rental

could be measured. Even with the nebulous standards adopted, the administrators of the program were hopelessly bogged down in a morass of individual determinations.

And finally, the difficulties and intolerable cumbersome methods of control which the concept of fair return would involve has been recognized time and again by World War II court decisions. (See *Spaeth v. Brown*, ECA, August 4, 1943, *Wilson v. Brown*, ECA, July 15, 1943; *Taylor v. Brown*, ECA, July 15, 1943.) In *Wilson v. Brown*, the court concludes its decision with “* * * it was necessary to authorize the Administrator to establish rents which are ‘generally fair and equitable’ instead of requiring him to make individual adjustments so as to assure to each landlord a fair return on the fair market value of his property.”

PROPOSAL

The National Association of Real Estate Boards, through Mr. James C. Downs, proposed an amendment which would require the Administrator to adjust individual rents on application up to 10 percent if a landlord submitted figures showing his expenses had increased by that amount or more. The burden would be on the Administrator to show that the landlord's figures were incorrect, and in default of such showing the rent would be automatically increased at the end of 60 days.

COMMENT

The practical effect of such an amendment would be a virtual break-down of the adjustment procedures in area offices. It would result in a flood of petitions on an overwhelming number of the 15,000,000 housing accommodations and over 4,000,000 rooms in hotels and rooming houses now under rent control. A landlord could merely file a petition showing increases in individual cost items, with the hope that the Administrator would be unable to get around to his case. Under the proposed amendment he would automatically get a rent increase up to 10 percent within 60 days. Senators Millikin and Murdock clearly pointed up these administrative difficulties during the discussion of the proposed amendment.

The National Association of Real Estate Boards did not ask for a blanket 10- or 15-percent increase in rents because they must have realized that under the standards set up by the Administrator and approved by the Emergency Court of Appeals no such increase is warranted. They have instead come forth with a proposal which would in reality amount to the same thing but would, in addition, swamp the administration in area offices with an impossible burden of paper work.

The amendment as presented by the National Association of Real Estate Boards is not clear as to what base the Administrator should use. It refers to the period since the maximum rent date. Obviously, anyone acquainted with the operation of rental housing understands that it would be impossible to use the operating experience of 1 month, with the chance expenditures for painting and decorating, or fuel that may have been concentrated during that period, as anything like a reasonable representation of what a landlord's operating position really is. We are fully aware of the fact that even a 2-year base usually contains some lumping of major expenditures and we would be exceedingly hesitant to use a shorter period, except in unusual cases.

The main point, however, of the National Association of Real Estate Boards' proposed amendment is that it refers only to costs but does not take into consideration increases in income due to the virtual elimination of vacancy, whether it occurred in multifamily units or in single structures. In no reasonable approach to the operating-cost problem would one consider cost increases without considering increases in income. There are no accounting standards under which any such proposal would hold up before any reasonable body. Obviously the Congress, when it set up a standard referred to increases or decreases in operating costs and all other factors involved in the conduct of the real-estate business. For the Administrator to look only at costs and not at income is a one-sided position which we do not consider a fair and equitable approach to the problem.

As one member of the House committee has already pointed out, it is difficult to see the need for this new amendment in the light of the existing hardship provision which has been in effect during the last 18 months. As a result of the hearings before the Seventy-eighth Congress on the extension of the Emergency Price Control Act, section 2 (c) of the act was amended by section 102 of the Stabilization Extension Act of 1944 to provide in part:

“Under regulations to be prescribed by the Administrator, he shall provide for the making of individual adjustments * * * in those classes of cases

where substantial hardship has resulted since the maximum rent date from substantial and unavoidable increase in property taxes or operating costs."

To comply with this mandate of Congress, section 5 (a) (12) was added to the rent regulation for housing and section 5 (a) (9) was added to the rent regulation for hotels and rooming houses. These amendments became effective September 1, 1944, and provided that any landlord may file a petition for adjustment to increase the maximum rent on the ground that "substantial hardship has resulted from a substantial decrease in the net income (before interest) of the property for the current year as compared with a representative period prior to the maximum rent date, due to a substantial and unavoidable increase in property taxes or operating costs."

The basic purpose of section 2 (c) of the Emergency Price Control Act of 1942, as amended, was to provide for individual adjustments where landlords were suffering hardship caused by rent control, that is by the established maximum rents. To determine whether an operator of rental housing suffered hardship as a result of rent control, this Office felt it was necessary to obtain the actual operating experience of property under rent control and then compare it with a period before the maximum rent date. To this end, the Administrator established certain requirements which asked the petitioning landlord to submit his figures on the actual operations of his property during a representative period prior to the maximum rent date as well as figures showing the results of one year of operating under rent control. Only after an analysis of these figures, was it possible to make proper judgment on the development of substantial hardship to the operator since the maximum rent date.

In order that the period prior to the maximum rent date be representative of the landlord's operating experience, he was asked to submit his operating experience for 3 years prior to the maximum rent date as a means of avoiding the unusual or particular circumstances that may affect any one given year. Also such a period allowed enough operating experience to make the accruals and allocations of expense necessary to arrive at a representative base for purposes of comparison. If an expense is incurred every 3 years, it is proper to divide the amount over the entire period and to charge one-third of the amount to each year benefited.

However, it should be made clear that this 3-year representative period was not inflexible. In some situations this Office has accepted a shorter period of operations prior to the maximum rent date if it was determined that the period was sufficiently representative of the landlord's operations. It was determined that such a period may never be less than 1 year, which is the shortest possible operating cycle to include the variety of factors affecting rental operation.

For the same reason, the landlord is asked to show the result of 1 year of operation under rent control. By an amendment, effective March 1, 1945, the landlord may present figures on his most recent year of operations. For an area recently brought under rent control it is not required that a year since the effective date must elapse before petitions may be filed.

As a guide for the policy of this Office, we considered proposals made by representatives of the National Association of Real Estate Boards and the National Apartment Owners' Association, who stated: "Obviously the proposal is to apply only to cases in which the over-all increase in costs has not been offset by increased income." They also urged that interest be omitted from our determination.

This Office has granted increases on approximately 7,000 units under this hardship provision. On April 10, 1946, the Office further changed the procedure used under the hardship provision in order that many possible cases which seem worthy of adjustment should be able to present a petition. The 3-year representative period has been changed to a 2-year representative period. If a 1-year period shows enough data to be representative, it too will be accepted.

The regulation has been changed to go even further in taking into consideration any projected wage and tax increases. These are the two outstanding items which may possibly affect a certain group of landlords. Under a new amendment to the regulation, the petitioner under the hardship provision will be able to project a full year's pay roll as soon as he has experienced wage or increased operating tax increases for 1 month. These changes will further help landlords who are even approaching a hardship position. This appears to the Administrator to be the practicable method of dealing with the problem.

In addition to the very important fact that increases in income are not considered in the approach proposed by the National Association of Real Estate Boards, the proposed amendment differs from the procedures now used in that the burden of proof that a landlord does not get a 10-percent increase falls on the

Administrator. This depends upon his capacity to process a flood of petitions within 60 days. From the petitions which have been received during the period that the present hardship amendment has been in effect, we have no reason to believe that the 10-percent increase is warranted, in any substantial number of cases. We do, however, at the present moment require the landlord to make his case in this adjustment provision, as in all others, rather than the Administrator being put into the position of automatically allowing an increase to go into effect because no definitive conclusion can be reached on a rather scanty presentation of evidence.

As a matter of fact, under the rent regulation there are 12 other provisions for upward adjustments in rent on application of the landlord. Below are listed each of the 12 other provisions and the number of rent adjustments actually granted under each section from the inception of rent control through March 1946.

Major capital improvement.....	230, 803
Increase in services, furnishings, and equipment.....	368, 010
Special relationship between landlord and tenant.....	91, 866
Lease in effect for more than 1 year on maximum rent date.....	9, 952
Varying rent during term of lease in effect on maximum rent date.....	1, 924
Seasonal rent.....	23, 194
Increased occupancy.....	75, 845
Tax exemption.....	353
Priority rating before Sept. 1, 1943.....	493
Peculiar circumstances.....	4, 171
Employee of landlord.....	939
Security deposit.....	17, 875

Increases in rent have been granted on 780,894 landlords' petitions, or 57 percent of the number of petitions processed. In approximately 6 percent of the petitions granted, adjustments have been made on more than one provision. These increases in rent have averaged slightly under \$6 for each adjustment, or 19 percent above the rent before the increase was granted. On the basis of these figures it can be estimated that approximately 1 out of every 20 of the 15,000,000 units under rent control have received an upward adjustment on one or more of the grounds specified in the regulation.

We cannot approve as an administrative technique an inflationary 10-percent increase in rents which disguises itself as an individual adjustment provision.

PROPOSAL

The American Hotel Association, through the chairman of its board of directors, Glenwood J. Sherrard, recommended to the committee that Congress, in the renewal of the act, specify that the maximum rents for hotel rooms be increased 10 percent.

COMMENT

On the basis of the record of hotel operations under rent control, we feel there is no justification whatever for such an inflationary increase. The earning position of the hotel industry under rent control has been so favorable that in 1943 and 1944 earnings exceeded 10 percent on "fair value of the property." This conclusion is reached by the firm of Horwath & Horwath, recognized specialists in hotel accounting, in a summary of the operating experience of 100 hotels in 50 cities throughout the United States. The 100 hotels in their sample do about 10 percent of the Nation's hotel business and in the opinion of the accounting firm are representative of the hotel industry generally. To quote from the accounting firm's report: "The 1944 report shows the hotel industry of this country at its peak; it may never again attain a return of 10.67 percent on investment. * * *"

Studies of trends in the hotel business by Harris, Kerr, Forster & Co., another recognized firm specializing in hotel accounting, corroborates the sound position of the hotel industry under rent control. Data for some 300 hotels in 1944 showed net operating income (before interest and depreciation) up 182 percent over 1939. Earnings in 1944 exceeded 9 percent of assessed valuation.

The healthy earning position of the hotel industry during the war is mainly attributable to tremendous increases in occupancy. The activity of the hotel business is measured primarily by room occupancy or the proportion of available rooms occupied by paying guests. The other determinant of room income is the room rate, which has increased markedly, even with OPA ceilings, because of the greater number of higher-priced rooms used and the more guests accommodated per room. The Harris, Kerr & Forster study shows that the rate of occupancy

soared from 62 percent in 1939 to over 91 percent in 1944. Average sales per occupied room climbed from \$3.37 to \$3.86.

While operating expenses have increased with rising business volume, income has increased much more. The result has been greatly augmented earnings. It is interesting to see how a 10-percent over-all increase in hotel room rates would affect the income position of hotel owners. Such an increase would raise the net operating income index for the 300 hotels in the Harris, Kerr, Forster study about 55 points to a level 236 percent above the 1939 base. With hotel earnings admittedly at their highest peak in many years, we can see no need for an inflationary rent increase which would increase these peak earnings to an even higher level. Current ceilings are demonstrably fair and equitable to hotel owners.

Mr. Sherrard also stated that "the generally accepted base of 1936 to 1939, used as a standard for measuring industry profits, is grossly unfair to the hotel business." Mr. Sherrard is undoubtedly confusing the 1936-39 standard used by the Price Department of OPA with the Rent Department's base period 1939-40. In evaluating the effects of rent control upon rental-housing operation, the Rent Department has consistently used the 2-year period 1939-40 as a standard for comparing earnings.

The Administrator sought a reasonable formula which would relate wartime or emergency profits to what profits would have been in the absence of war. In his determination the fairest and most easily workable formula was the selection of a base period for comparison which would reflect normal peacetime operations unaffected by the distortions and dislocations of war activities. Rent ceilings would stand the test of general fairness and equitability so long as current over-all earnings equaled or exceeded earnings in the base period selected.

It was found impracticable to obtain financial operating statistics for rental housing further back than 1939. Nor could the base period selected extend beyond 1940, since by 1941 the impact of defense activities was already being felt. For this segment of the national economy, then, the Administrator took the 2-year period 1939-40 as a representative base for comparison.

For purposes of fairness and base period 1939-40 satisfies all the general requirements of a representative standard by which to measure industry performance under rent control. It represents the most recent prewar period for which income and expense figures could practicably be obtained. It represents a normal rental housing market, free from the abnormalities of war pressures, and it is a sufficiently extended period to provide a fair average of normal peacetime operation.

PROPOSAL

The Metropolitan Fair Rent Committee of New York and the National Apartment Owners Association recommended that in the renewal of the act Congress provide for an increase of 15 percent in maximum rents now in effect in all defense-rental areas. The arguments advanced for such mandatory increases are discussed below.

Current rents are generally fair and equitable.—Proponents of such an amendment point out that the average rents received under rent control were only 85 percent of the average for the period 1921 to 1938. This base period is too broad to be of any meaning. It includes the inflated twenties and the depressed thirties. To take an average for the entire period and assume that it represents some sort of normal is fallacious. It assumes that the period of prosperity and the period of depression were of equal length and that we were above "normal" during the inflated years by the same amount that we were below "normal" during the depressed years.

It should also be pointed out that the Bureau of Labor Statistics rent index reflects, so far as possible, the rents of identical units throughout the life of the index. As such units are now 25 years older than they were at the beginning of the base period, it could be expected that the rental value would show some decline.

A study of the rent index from 1913 to the present shows wide fluctuation in response to economic trends. It remained relatively stable during World War I, swung sharply upward until 1924, started to decline in 1926, slowly at first, then precipitously to the lowest depression year, 1935. A gradual recovery then occurred until it reached a relatively stable level in 1938. From 1938 to 1941 it remained quite constant until the impact of defense activities started another upward swing in 1941. This increase was halted in 1943 by the imposition of rent control, and the index has remained quite constant since that date. Throughout this period the only one which could be considered as approaching normalcy was

1938 to 1941. Rents have been stabilized in general at a level about 3 to 4 percent above the average for this period.

Even if we assume for the moment that the 1921-38 average does represent "normal," other factors must be considered. Under these assumptions, an examination of the vacancy picture alone will invalidate the proposed 15-percent increase. While no Nation-wide vacancy figures are available prior to 1940, it has been estimated that the vacancy rate between 1921 and 1938 averaged 10 percent. As vacancy losses under rent control have averaged less than 1 percent, this would immediately bring the gross income up from the 85 percent implied by the previous testimony to 94 percent of the 1921-38 average. Additional gains due to the elimination of rent-collection difficulties and a reduction in the amount of painting and decorating necessary to attract tenants has put the landlord in a substantially better position today than during the proposed base period.

The use of a 1921-38 base period is irrelevant in the present situation. The purpose of the Price Control Act was to prevent inflation during and after World War II. To carry out this aim, Congress provided in the original act that rents should be stabilized at or about the levels prevailing on April 1, 1941, or at a level prior to the impact of defense activities. This method of freezing rents has the advantage of simplicity and relative ease of administration over any consideration of an earlier base period.

The Office of Price Administration has in general considered 1939 and 1940 as the latest period during which defense and war activities had not resulted in inflationary increases in rents. The selection of this period has been upheld by the Emergency Court of Appeals in a number of instances.

Extensive surveys by the Accounting Division of OPA show that in general landlords' net operating income (before interest and depreciation) is substantially more favorable under rent control than it was during 1939-40. The most recent survey for rental housing operation in 23 cities under rent control shows that net operating income of apartment house owners was 38 percent higher during the year ending June 30, 1945, than in 1939, and that net operating income had risen 37 percent for small structures in the same period. If the 15 percent blanket increase were permitted, net operating income would jump to 87 percent above 1939 levels for apartments and to 82 percent above 1939 for small structures.

While figures on interest and depreciation charges are not available on a Nation-wide basis, several studies which have been made show that in general these costs have remained constant or actually declined. Thus the increase in net income (after interest and depreciation) has shown an even sharper gain than net operating income. For example, a study of apartment operation in San Diego showed that for 1944 net operating income was 46 percent higher than 1939 and net income (after interest and depreciation) was up 193 percent. If a 15 percent increase had been allowed, net income (after interest and depreciation) would have been 346 percent above 1939 levels. We believe it is self-evident from the above figures that general relief is unnecessary to protect the interest of landlords.

A 15-percent increase in rents would be highly inflationary because rent is the largest single item in most family budgets. A 15-percent increase would immediately raise the rent index from 103.7 to 119.3 (1939=100). It would also cause the cost of living index to jump 3 points, from 128.7 to 131.9 which would give additional incentive to labor in its demands for further upward wage adjustments.

Of course, we realize that in certain individual cases a hardship is imposed by the freeze-date method of fixing rents. Provision has already been made for making adjustments in such cases under the hardship amendments and other adjustment provisions of the rent regulations.

Studies will continue to determine whether any general adjustments for specific defense-rental areas may be necessary at a future date. At the present all available evidence indicates that any general adjustment blanketed over the whole country is not warranted and would be contrary to the purposes of the Emergency Price Control Act.

Costs versus expenditures.—In his testimony on May 2, 1946, Mr. James C. Downs, Jr., president of the Real Estate Research Corp. in Chicago, stressed substantial increases in the costs of labor and materials used in rental housing operation as a justification for over-all increases in rent ceilings. His argument illustrated the common error of confusing material prices and wage rates which determine unit costs with actual expenditures. While it is true that prices and wage rates have risen substantially since the beginning of defense activities, it is not true that expenditures incurred by landlords in operating their rental units have increased accordingly.

Specifically, average hourly earnings for repair and maintenance labor have increased some 47 percent over 1939. The index of prices for repair and maintenance materials is up 24 percent over 1939. And yet actual repair and maintenance expense, the dollar sums paid out by landlords, has declined. Surveys conducted by our accountants in 36 representative cities show that from 1939 to 1944 repair and maintenance expense dropped 19 percent for apartments and 23 percent for small structures. This considerable reduction in repair and maintenance expense coupled with a 3-percent drop in the real estate tax burden has compensated for expense increases in other categories such as fuel outlays. The net result has been a marked stability in total operating expense.

The explanation of reduced repair and maintenance expense in the face of rising material prices and wage rates is simple. The unprecedented demand for housing has virtually eliminated the necessity for competitive redcorating and has cut unessential and minor services to a minimum. Thus, while the cost of performing a given job such as redecorating a dwelling unit is undoubtedly higher, many jobs no longer need be undertaken or are undertaken less frequently and expenditures for maintenance and repair have actually fallen.

The key to the confusion in thinking about costs and actual expenditures lies in the fact that unit costs as represented by prices and wage rates are just one part of the story. The other determining factor is the physical volume of work undertaken by landlords. The resultant of these two elements—unit costs and volume of work performed—represents true expense in rental housing operation. Charts showing individual cost items only befuddle the real issue which remains: What has happened to actual expenditures? These have declined.

The rent index and the landlord's net income.—In his testimony on May 2, 1946, before the committee, Mr. James C. Downs, president of the Real Estate Research Corp. of Chicago, argued that the landlord has suffered an impairment of his financial position under rent control. He stressed the fact that while average rents have increased by only 4 percent from the beginning of the war in Europe, the cost of living has risen some 30 percent over the same period.

The fallacy in this argument is easily exposed. Landlords do not live on the rent index, they live on their earnings. The rent index no more represents landlord earnings than sales price represents net income to a manufacturer. Earnings represent the difference between income and total expense and are an outcome of the whole income-expense structure of rental housing operations. And rental housing earnings have increased by far more than the 4 percent increase shown by the rent index. Landlords' net operating income (before interest and depreciation) is 35 to 40 percent higher than in 1939.

This substantial increase in earnings is the result of larger rental income coupled with stable operating expense. Rental income collected has climbed steadily with vacancy losses virtually nonexistent. Operating expense, on the other hand, has exhibited marked stability despite rising price and wage levels. Substantial savings in outlays for repair and maintenance have been made possible by a reduction in the physical volume of work undertaken. The heavy demand for housing has greatly reduced the necessity of expenditures for decorations and unessential services formerly necessary to attract tenants. This reduction in money actually spent has more than offset increases in certain expense items such as fuel. The result has been a stability in total operating expense.

Actually landlords' net income has increased even more than the 35 to 40 percent rise in net operating income. Net operating income does not include interest and depreciation charges. In the few cities in which these charges were obtainable, depreciation has remained fairly constant while interest charges have declined somewhat with amortization of mortgages. A study in one such city, for 1944 for example, shows that while net operating income under rent control was 22 percent above 1939-30 levels, net income (after interest and depreciation) increased well over 100 percent. The following table explains why percentage increases in net income exceed percentage increases in net operating income, where interest and depreciation charges are constant:

	1939	1945	Percent increase
Net operating income (before interest and depreciation).....	\$1,000	\$1,400	40
Interest and depreciation.....	800	800	-----
Net income.....	200	600	200

It is clear, then, that comparisons between the rent index and the cost-of-living index are meaningless for purposes of studying the landlords' financial position. While the rent index shows a rise of only 4 percent, actual earnings represented by net operating income are 35 to 40 percent above 1939 levels and are even higher if increases in net income are considered. The income gains of landlords generally have substantially exceeded rises in living costs.

Income and expense surveys.—In his testimony on April 30, 1946, Mr. George M. Englar, president of the National Apartment Owners' Association, attacked the general validity of the income and expense surveys which are regularly prepared by the Office of Price Administration in fulfillment of its functions under the Price Control Act. We feel that it is necessary, in the light of this criticism, to present a complete statement on the character of these surveys, the manner in which they are conducted and a review of the results of these surveys over the past 4 years.

After a maximum rent date has been established for an area, the Administrator is called upon in the act to "make adjustments for such relevant factors as he may determine and deem to be of general applicability in respect of such accommodations, including increases or decreases in property taxes and other costs." Back in 1942 the Administrator, in fulfillment of this mandate, conducted the first income and expense studies in 64 cities throughout the country. In 1943 similar surveys were conducted in 58 cities; in 1944, 29 cities; in 1945, 46 cities and thus far in 1946, 12 cities.

The procedure in the conduct of these surveys may be described as follows: Representatives of the Accounting Department of the Office of Price Administration go into a city under rent control and approach real-estate management agents, insurance companies, banks, estates, and individual owners of rental property, and seek the cooperation of the local real-estate board in gathering ordinary income and expense statements from the records of these companies and individuals. The accountants take the figures from these records as they find them. They do not audit or alter the accounts. Under certain circumstances it is necessary to allocate certain items to the year in which they belong; delinquent rents have to be placed in the year in which they were payable; delinquent property taxes have to be charged to the year in which they are incurred.

The work on these books is done by qualified accountants and is subject to the supervision of outstanding accountants in the real-estate field. In setting up the standard forms for these accountancy surveys, the advice of members of the National Association of Real Estate Boards and of the American Mortgage Bankers Association was asked, and a standard accounting form was agreed upon. This basic form was approved by the Bureau of the Budget and has remained in effect during the 4 years that these accountancy surveys have been conducted. It is important to note that these accountancy surveys are conducted independently of the Rent Department by the Accounting Department. The material is presented in formal reports to the Rent Department only after it is summarized.

The sample which is chosen in any given city depends primarily upon the number of books of individual owners and real estate management firms available with income and expense data over a period going back to 1939. The Accounting Department makes a definite effort to align its samples with the latest available information from the census of 1940 and other sources to represent the types of structures, the various rent ranges, and the various sections in the city as closely as possible. In other words, if 40 percent, for example, of the units in a city are single-family houses; 20 percent 2-family houses; 20-percent 3- and 4-family houses; and 20 percent apartment houses; the accountants try to get a similar proportion of each classification in their sample. This is not always possible in every city surveyed because books for single-family structures are not always available to the same extent that management records are on hand for apartment houses. Moreover, during the acute housing shortage which has prevailed since the beginning of the war in all urban areas throughout the United States, the turn-over in the ownership of single-family structures has been such that consistent records are exceedingly difficult to obtain. Each year that the accountants have gone back to a city, they have tried to secure the records on the same dwelling units which they had in their previous sample, but when these had been sold to owners and were no longer rented, or continuous records were no longer available, it was not possible to keep the same units in the sample, and it was necessary to obtain others in their place. This was the only course open to the accountants making the sample survey.

Criticism was made of the fact that during various years the list of cities sampled had differed. It was maintained that this had been done as a subterfuge of some

sort. The Office had gone to different groups of cities throughout the country each year in order that, with the limited staff available, it should be able to cover as many areas as possible. As a result of changing the cities which were surveyed each year, a total of 90 different cities, covering 205,000 units, had at one time or another been studied over the past 4 years. The identical cities and identical units were not surveyed each year. In any public presentation of these surveys it was always made perfectly clear which cities were included in the survey and how many units were covered.

¶ The impressive result, from our point of view, has been that no matter what combination of cities was used in any one of the 4 years since these income and expense studies began, the general trend has been consistent. The Office of Price Administration has never maintained that the results of a survey in 1 year should be identical with the results of a survey for another year, since it was obvious that different groups of cities were used. Whenever an over-all presentation was made, however, the full story back to the year 1939 was reviewed in the group of cities under consideration. The Office has never issued a compilation of cities unless their number was substantial enough to present a true picture of the over-all income and expense trend at a given time. Whenever an over-all compilation was published—13 cities in January 1943, 19 cities in June 1943, 39 cities in October 1943, 25 cities in March 1944, 28 cities in June 1945, 36 cities in February 1946—the group was always recognized to be representative of different parts of the country and of cities of different population groups. In addition to these over-all compilations, the Office of Price Administration has made individual city studies as soon as the surveys have been completed. These have been available at area offices or upon request from the national office. We have never maintained that the over-all average for 36 cities necessarily applied to any individual city.

Each individual defense-area is subject to the same test approved by the Emergency Court of Appeals. This test may be simply stated: Is the net operating income earned by landlords generally under rent control better than it was in the base period 1939-40—the 2 years immediately prior to the impact of the war? We have taken the position and have each year reaffirmed before the Congress that this is the basic standard on which we judge the fairness of the rent regulation and the rent level in a given area. As long as the net operating income of landlords generally in a given area remains better than it was before the war, we do not feel justified, in accordance with the congressional mandate, to increase the general rent level in that area.

The case of New York City has been subject to special attention by the Office ever since rent control was instituted there in November 1943. In the presentation of Rental Housing Operation Under Rent Control in 36 Cities, 1939-44, the Office of Price Administration clearly stated: "Because of the variety of the cities selected and the large number of buildings covered, the study can be considered as fairly representative of operating experience in defense-rental areas in the United States outside of New York City" (p. 3). This Office never maintained that the 36-city average was representative of New York City. The character of rental housing operation in New York City is basically different from the over-all picture throughout the country. The preponderance of apartment-house units and the fact that New York City has the next highest rent average of any large city in the country, would make any attempt to mix data on New York with data on the rest of the country unsound. We feel, moreover, that to average data on New York City, which has a maximum rent date of March 1, 1943, with data from other large cities, which have maximum rent dates in January, April, and July, 1941, and March 1, 1942, would result in a false general average. For these reasons, the Office has always published a separate presentation of income and expense in New York City. Recent data on this city have been incorporated into the record of the New York case now before the Emergency Court of Appeals and were published separately in March 1946.

The most recent over-all survey published by this Office in March 1946 covered rental housing operation in 23 cities through the fiscal year ending June 30, 1945. The results of this new survey show that the net operating income of landlords generally for apartment houses in these 23 cities is 38 percent above 1939, and for small structures, 37.2 percent above 1939.

While on occasion witnesses have criticized these income and expense surveys before your committee, no group has presented either to this Office or has ever published studies of a similar character to rebut or refute the general results of these surveys. In the New York case now before the Emergency Court of Appeals, the complainants themselves accepted our survey as representative of the general

operating position of landlords in their city. Other Government agencies—the Department of Commerce and the National Housing Agency—have recognized these surveys as the outstanding presentation on income and expense trends in the operation of rental housing.

This is the first time in the rental housing field that a sample of anything like this size has been available to determine just what the average operator of rental housing really receives as his annual rental income and what he really expends for running operations. In all discussions of the fairness of the rent regulation there have been attempts to befuddle the issue by the presentation of individual price increases. Presentations were made to this Office that the cost of paint has increased and that the cost of fuel has increased. Such individual price items only falsify the general picture. There remains only one way to determine the general operating position of landlords under rent control, and that is a review of their actual income and expense statements, and not the isolation of price changes in simple items.

The Office of Price Administration over the last 4 years has not altered its accountancy methods in the rental field, has not changed its sampling methods, has not changed its type of analysis or public presentation. The over-all results of these surveys for any individual city are open to any recognized group for further study. The only limitation imposed upon the publication of these surveys is the congressional prohibition about revealing data concerning the operations of any individual owner. This Office is in the process of extending these surveys to more and more cities all the time, and will continue to issue summary results at least every 6 months.

Mr. PORTER. Now, that completes, Mr. Chairman, the presentation of the case of the agency, with the exception of meat, and I would like to state, before asking Mr. Ericson to respond to any questions that members of the committee might have, my understanding of the position of the agencies concerned with respect to a number of suggestions that have been made on an experimental decontrol or a permanent decontrol of meat and livestock products.

As I indicated in my direct testimony this morning, it is our position that it would not only be very dangerous but perhaps disastrous. We think, further, that the diversion that would be caused of the available supplies of grain would likewise cause many serious complications; and I think that the several agencies of the Government, including OPA, the Department of Agriculture, and the Office of Economic Stabilization, are united in their belief that every effort should be made to continue the enforcement and control orders rather than to abandon controls in a most difficult field. We feel that experience indicates that the problem can be solved, and we propose to mobilize our resources to solve it, and I do not want anything that I have said in discussing the difficulties of the problem to be taken to indicate that we feel in any sense should we experiment with a trial period of decontrol or with the permanent decontrol of livestock and meat products.

Now, Mr. Erikson is here to answer any detailed questions that members of the committee may have.

The CHAIRMAN. Yes.

Senator MILLIKIN. Mr. Chairman, before we get into the technicalities of it:

I want to say, Mr. Porter, that you open a very new vista when you make the subject of price control an instrumentality of our foreign policy. Are you prepared to comment on that?

Mr. PORTER. No, sir; only to this extent, Senator, that I believe—

Senator MILLIKIN. There is no authority of that kind in the law, I bring to your attention, to start with.

Mr. PORTER. Except that we must take into account the shortages in determining the balance of supply and demand before any action

can be taken; and as an element in those shortages are commitments that have been made, lawfully made, by this Government, in the feeding of starvation areas abroad—

Senator MILLIKIN. I am not now making any final argument for or against, but I invite your attention to the fact that there is no authority in the law for making price control an instrumentality of our foreign policy; and I invite your attention also to the fact that it might be argued that in doing that you are making one segment of our economy carry the burden of our foreign policy.

Mr. PORTER. It seems to me that, from whatever cause there is pressure on prices, that there is the obligation of the OPA under the emergency price control to act. Now, we are not responsible for the sources—

Senator MILLIKIN. It might be argued also, Mr. Porter, that it is the responsibility of the Government to support price control, which is to say, support legitimate decontrol and not make it more difficult and impossible by creating the very shortages which continue the controls and continue the black market operations.

Mr. PORTER. Well, of course, while I have no official responsibility for it, Senator, I personally am in the deepest sympathy with the obligations that this country has assumed for foreign feeding, and as a citizen would do everything I can to support that view.

Senator MILLIKIN. I have made some remarks on the Senate floor in favor of meeting the starvation picture over in Europe, and I do not take back one word of what I said. I am merely opening up to you thoughts that will have to be given a lot of consideration as to where the burden of this thing shall fall.

Mr. PORTER. I fully agree with you.

The CHAIRMAN. Now, Mr. Erikson I see is here.

Senator HICKENLOOPER. Mr. Chairman.

The CHAIRMAN. I asked one of the staff to notify Senator McFarland, who was very much interested in this, but Mr. Erikson is here. I suppose we ought to go right along now.

Senator MILLIKIN. Has he been notified here.

The CHAIRMAN. Yes, I just notified him again.

Senator HICKENLOOPER. Mr. Chairman.

The CHAIRMAN. Yes.

Senator HICKENLOOPER. I just wanted to pursue this at the moment. But I understand that Mr. Porter has just filed a statement on OPA's Information Department. Is that true?

Mr. PORTER. There are certain figures, Senator, that I understand from Mr. Potter were specifically requested, and we have just—

Senator HICKENLOOPER. I think that was requested some days ago. I for one would like an opportunity to interrogate the OPA on their system of information and publicity, and this—

Mr. PORTER. I could read the statement, Senator. I think it is a very brief thing.

Senator HICKENLOOPER. I would like an opportunity to interrogate them sometime.

Senator MURDOCK. Mr. Chairman, I thought we were meeting specially at this hour to hear the discussion of meats.

Senator HICKENLOOPER. I am not asking for it now.

Senator MURDOCK. And I am not objecting, Senator, but it seems to me—

Senator HICKENLOOPER. Well, I am not asking that that be done now.

Senator MURDOCK. Oh.

Senator HICKENLOOPER. I am merely registering my desire to do it eventually. I do not want to disturb this meat situation.

Senator MURDOCK. I join the Senator in his request; I think he should have that opportunity, and I would like to present, with the——

The CHAIRMAN. Well, aren't we going to close the hearings today?

Senator BUTLER. You are going to furnish a statement of that, like the other statements you have just mentioned, over the week end?

Mr. PORTER. I will undertake to make copies available of all of these statements, Senator.

Senator MILLIKIN. Mr. Chairman, I should just like to make this point.

The CHAIRMAN. Yes.

Senator MILLIKIN. That I think that Mr. Porter is fobbing off in a very easy way his rebuttal. It seems to me that rebuttal should be subject to examination as well as the main testimony, and I merely want to make the point that since we do not have the opportunity to examine Mr. Porter on his rebuttal material we will necessarily have to make our own interpretation of his rebuttal on the Senate floor.

Mr. PORTER. Well, might I say, Senator, in response to that, that the purpose of these statements was to respond to specific inquiries not only from Senators for factual information but likewise to attempt to present in perspective some of the factual statements that were made by witnesses.

Senator MILLIKIN. Yes.

Mr. PORTER. And I think that the Senators can, after they examine the material, give it whatever weight you deem appropriate. I do not believe that there would be anything further elicited from cross-examination of these statements that you could not get from the perusal of them directly.

Senator MILLIKIN. Well, that can only be determined after the examination.

Senator MURDOCK. However, if we could avoid, Mr. Chairman, a fight on the Senate floor with the distinguished Senator from Colorado, I would even be willing to go ahead for a few more days with the hearings.

Senator MILLIKIN. What I was going to suggest as a practical measure was——

Senator MURDOCK. I know the kind of fight we will have over there.

Senator MILLIKIN. After we look this material over, if there should be further real need for Mr. Porter, perhaps the chairman would——

The CHAIRMAN. Oh, yes, I am sure.

Mr. PORTER. I am perpetually at your services, Senator.

Mr. Chairman, before Mr. Erikson begins, might I take leave?

The CHAIRMAN. Yes.

Mr. PORTER. I have another group of Senators waiting for me in the Senate Finance Committee, and I hope to return very shortly.

The CHAIRMAN. Very well.

**STATEMENT OF A. L. ERIKSON, OFFICE OF PRICE
ADMINISTRATION**

The CHAIRMAN. Now, Senator Butler, you made some meat suggestions, and I thought you wanted the witness to be here, and he is here now.

Senator BUTLER. Have you got a statement?

Senator HICKENLOOPER. Here is your lead-off man.

Senator BUTLER. Do you have a statement, Mr. Erikson?

Mr. ERIKSON. No; I do not have a prepared statement, Senator.

The CHAIRMAN. Senator McFarland, this is the gentleman you wanted to inquire of.

Senator McFARLAND. Yes; I know.

The CHAIRMAN. Will you proceed?

Senator McFARLAND. Mr. Erikson, I had some telegrams here this morning. I read a few of them to Mr. Porter, and it seems that in Arizona the meat situation is just breaking down. They tell me, for instance, up in Globe and Miami—I had a wire from the merchants' association there—that this Daou Packing Co., I believe that is the correct name, was not able to operate, that they were operating at a loss, and therefore the stores did not have any meat for the people. I had another telegram from another locality which said that the quota of the Casa Grande Meat Co. was so small that they could not operate.

Senator MILLIKIN. A little louder.

Senator McFARLAND. I say, in another locality I had a telegram which said that their meat company had closed down because the quota was too small. I am beginning to get wires from retail associations to the effect that they just cannot get any meat under the quota system. I have received five or six long-distance telephone calls in which I was told that the black market was bad there, that the larger portion of the meat has been forced to go through illegal channels because they could not operate any other way; generally speaking the meat situation seems to be breaking down, from what I can hear, not only in Arizona but in other localities as well; and I was anxious to hear what you had to say in any program that you could offer us that would clear this up.

Mr. ERIKSON. Senator, I cannot give you the details with respect to those specific companies in Arizona. However, as you recall, we did make certain adjustments in Arizona in March which tended to get meat into the outlying areas, and our report from the director of our office there indicates that that has been working reasonably well. As a matter of fact, we put into effect a plan which was discussed with a group of slaughterers in Arizona, and it was the kind of a plan which they felt would be very helpful.

Now, I understand that the Tony Daou plant at Globe, Ariz., has ceased slaughtering; at least, he is not slaughtering a very large volume, which has created a shortage in that area. However, the Safford Packing Co. at Safford, Ariz., has indicated that he could take care of a broader area, and asked for an adjustment to take care of part of the people up in Globe and surrounding points. A wire from the director to Senator Hayden some time I think last week indicated that certain adjustments had been made in the Safford Packing Co.'s quota giving him what he had requested. I cannot bring you up to date on that particular point any further than that, but I think that indications

from our director were that in Arizona they work reasonably well now in view of the fact that the quota has been suggested for these one, two, or three or four companies—I don't recall how many—and in view of the fact that we made adjustments in price which will allow meat to be shipped to the mining areas which were difficult to reach because of the terrain.

Now, with respect to the black market, I think we have admitted that the black market has been serious in meat. We do not feel, of course, that it is nearly so serious as has been reported on occasions before this committee. We have made some surveys of our own which indicate that the thing is not as bad as has been reported, but I would say the situation was sufficiently bad that the Government decided that we must institute the control order which went into effect last week.

That control order was put into effect by the Department of Agriculture and the OPA, and the two agencies are jointly responsible for its performance. Now, of course, it has not had an opportunity to show many results yet, although the Department of Agriculture notified us last week that the inspected slaughter volume was up in the first week of the control order by 12 percent, and only 1 percent below last year with respect to cattle slaughter. So we feel that the control order which was initiated last week and, incidentally, which worked very well last year in controlling this program or the black-market situation, will again work pretty well, in addition to the extra enforcement effort which we are expending in this field.

Senator HICKENLOOPER. May I ask Mr. Erikson a question?

The CHAIRMAN. Certainly.

Senator HICKENLOOPER. I have some statistics. I shall have to send to the office to get them, but I think they are available. I think they run this way: That as to 10 representative slaughterers, federally inspected, who slaughtered 76 and a fraction percent of all the federally slaughtered meat in 1941, under the quota order last week these same 10 slaughterers were only able to slaughter somewhere around 50,000 cattle, as against 140,000 or 150,000 in 1941; about a third.

Now, then, someone else is slaughtering those cattle. The established slaughterers in the New York area, as shown by the charts here the other day, as I recall it there isn't a slaughterer operating in the New York City area today that was in business in 1941, I believe, with the exception of the so-called Big Four and perhaps a couple of independents, and they are doing about 26 percent of the business, and these newcomers in the slaughtering area in the New York area are doing about 76 to 78 percent; that the movement in the so-called legitimate, established, federally inspected slaughter houses in this country—the beef kill has gone down to practically nothing because they could not operate and keep in compliance and in competition with the black market overriding ceiling at the central markets.

Mr. ERIKSON. Well, that is what I—

Senator HICKENLOOPER. Now, there is something that is doing it. It is very, very difficult for me even to imagine a reason why a newcomer or new operators in the market can come in now and literally drive the established, experienced, efficient slaughterers almost to the point of closing their doors.

Now, that is not alone the case with the so-called Big Four packers who operate many plants over the United States, but we have the

two biggest independent units I think in the world in our State, that is, Rath's and Morrell's. Morrell's has three plants, but they have two—one big one in our State and Rath's at Waterloo, which was the biggest unit in the world, and they are experiencing practically the same thing. They cannot buy cattle. They cannot buy enough to keep them operating 1 day a week and keep within the compliance ceiling of OPA, because the market all the time in these grades of cattle seems to be touching the overriding ceiling, and they simply can't do it because if they buy at the overriding ceiling a certain number of cattle they have got to chisel somebody below the actual ceiling in order to make up for it, and they simply can't do it and get the cattle.

Senator MITCHELL. Senator, might I ask if that is happening now after the allocation order went into effect? Is it still happening?

Senator HICKENLOOPER. Yes. The allocation order has increased their cattle receipts very little, maybe 10 percent over what they did have, but 10 percent of 25 percent is only 2 or 3 percent. They still cannot operate their plants. The reports I had, at least up to 3 days ago, are that they still can't get enough cattle because they cannot buy and keep in compliance; they still can't get enough cattle to run their beef kill, for instance, for a major portion of a day a week. And yet they have got to keep their plant operating. They have got guaranteed weekly income to their employees. It takes just as many men to run one animal through the slaughter process as it does to run a complete day's capacity, and they are in straits of desperation. They don't know what to do.

Senator MITCHELL. Mr. Erikson, do you have any observers at the packing points, sales points, to see what has happened actually since the allocation order went into effect?

Mr. ERIKSON. Yes. As I explained a moment ago, the allocation went into effect on May 1 for most of the slaughterers, and it hasn't had an opportunity yet to show any miraculous effects. However, the Department of Agriculture reported that in the first week of its operation inspected slaughter was up 12 percent on cattle and it was only 1 percent below the inspected slaughter on cattle for the corresponding week of 1945.

Senator BUTLER. Mr. Chairman.

Senator HICKENLOOPER. Well, of course, this condition was almost exactly the same in 1945.

Mr. ERIKSON. No.

Senator HICKENLOOPER. It has gone down very little.

Mr. ERIKSON. That is not correct, Senator. The situation in 1945 was reasonably good with respect to cattle and to hogs. The large slaughterers were not killing as much last year as they killed in 1941. However, the OPA did not issue licenses to these new slaughterers that came in during that intervening period. There were new slaughterers that came in. They were licensed by the Department of Agriculture, with just cause, I am certain; and of course with new slaughterers in the market the old, established ones naturally could not kill as big a proportion of the available livestock as they would when there was a smaller number of slaughterers. However, the slaughter volume of these packers remained fairly high in 1945, particularly with respect to cattle, because we had a very good run of cattle in 1945.

Senator HICKENLOOPER. Well, they killed, these ten that I am referring to—I just got this memorandum here, which I think contains the same figures as the figures I—the same results, anyway. These 10 slaughterers who in 1941 killed about 76.4 percent of the federally inspected meat, killed in 1941, 142,013 head of cattle. In 1945 they killed 116,700 head of cattle, down about 30,000. About 25,000. In 1946, for the week ending April 27, they killed 42,000, all of them. Now, those are the people that before the war were killing 76 percent of all the federally inspected cattle.

Now, the figures I have here for the week ending May 4, which is the first week of control, show that they went up from 42,693 the week ending April 27 to 58,196 for the week ending May 4. Now, that is an increase.

Mr. ERIKSON. Yes.

Senator HICKENLOOPER. But I think it has been stated—it has been stated to me a number of times by cattlemen and others that the greatest upsurge would probably come in the first week or 10 days of this order, rather than 3 or 4 weeks later.

Mr. ERIKSON. No; I do not think that is correct, because a lot of slaughterers in the first week or two of the operation, who have expanded their slaughter rather greatly during the past several months, would be inclined to go along at that same rate before they tapered off, and I think the effects of the order would be more pronounced toward the latter part of the month of May. In other words, their quota is on a monthly basis. So it would be in the last week of May.

Senator HICKENLOOPER. Well, it may be. I hope something operates to do the job. But here is the thing that is difficult for me to understand on these charts that were here the other day. I do not have my copy here, but nevertheless I think I remember the statistics. It showed on Chicago and the central markets—the Chicago market and the other central markets—it showed that whereas an average prewar of around 25 percent of cattle shipped in there would be re-shipped from the central market to feeders who wanted to feed a carload or two out, and so on, now over 75 percent of the cattle received at the Chicago market—and I think other markets have approximately the same experience—over 75 percent are now re-shipped and not killed in the central markets, and I think those curves they showed were very—

Mr. ERIKSON. Yes; it is true that the slaughter in the East has increased rather substantially, and it was for that reason we put into effect this control order to hold it down to the same proportion it was in 1944.

Now, I should explain that when the war first began the Government demanded rather huge volumes of meat, and they took it to begin with largely from the larger packers. The larger packers who were furnishing the meat to the Government then tended to divert meat which would normally be sent down east, to the Government. In other words, there was a car lot volume business which they diverted to the Government, which meant that someone had to take care of this eastern area, and as a consequence you did have people come into existence in the East to furnish the demands of the East which resulted because of the diversion of meat away from the East to the Government, and I think the statistics will show that quite

clearly. The Government did authorize these people to go into business.

Now, the question was asked a moment ago, how can these new operators go into business when the old ones find it difficult to operate under the margins. A large part of the slaughter which was done down east and was done down east in recent months was custom slaughtering by people who had retail stores, or club owners or restaurants, and naturally the margins for such people are somewhat wider than they would be for a slaughterer. In other words, when we set our ceiling prices on a retailer we provided him a normal margin on which to operate. Now, if he should buy cattle and then sell the resulting meat at retail prices, he naturally has both the slaughtering margin and the retail margin on which to operate, and that gives him a wider—gives him more money with which to go into the livestock market and procure livestock.

Senator HICKENLOOPER. Well, among others the night-club trade went into that method pretty well, I think.

Mr. ERIKSON. Beg pardon?

Senator HICKENLOOPER. I say I think it has been pretty well developed that the night-club trade went into that.

Mr. ERIKSON. Yes; we had some of that. I wanted to explain, however, that on April 1st we put into effect a custom-slaughtering restriction to hold down again the volume of that type of business, in line with what was done in 1944. In other words, we are trying to hold the business in line with 1944, and we chose that date because in 1944 we had a very good distribution of meats throughout the United States, chiefly because of the very high production of meat, largely pork volume. That is, we had a big increase in our pork production during 1944, and as a consequence had good distribution of meat throughout the United States.

Senator MILLIKIN. Let me ask a question.

Senator MURDOCK. May I ask this?

Senator MILLIKIN. Go ahead.

Senator MURDOCK. Who licenses slaughterers? Is that done by the Department of Agriculture or you people?

Mr. ERIKSON. Well, in 1942 the OPA had authority to license slaughterers, and we had that authority up until the spring of 1943, April, I think. At that time it was transferred to the Department of Agriculture and remained with the Department of Agriculture until they removed the quota system in the fall of 1943. I think it is correct that following that date—is that correct, Mr. Bosch, that there was no restriction on entry into business after September 1943?

Mr. BOSCH. From September of 1943 until the spring of 1945.

Senator McFARLAND. Mr. Erikson, there has been quite—pardon me, Senator Murdock. Were you through?

Senator MURDOCK. I was through.

Mr. ERIKSON. I might follow the Senator's point a little further, though. We did put into effect then in the spring of 1945, just about a year ago, the slaughter-control program, which again gave the OPA the authority to license these people; and under our license system we had about 16,000 to 17,000 operators under licenses. That included people who hold licenses to have cattle custom-killed for them, such as retailers and certain other wholesale operators.

Senator HICKENLOOPER. But the total number of licensed slaughterers is around 26,000, isn't it?

Mr. ERIKSON. At one time the Department of Agriculture, I am told, had outstanding licenses to the extent of 26,000. The most that the OPA has had outstanding during the time it had jurisdiction of the program was about 18,000, but in some cases there were duplicates. So that we felt that there were about 16,000 to 16,500 slaughterers who were actually operating; that is, both people who had their own facilities and people who were having cattle custom-killed for them.

Senator HICKENLOOPER. Now you have about 14,000 or about 12,000 getting subsidies, don't you?

Mr. ERIKSON. At the present time there is something between twelve and thirteen thousand drawing subsidy, and I would like to explain a little bit on that particular point. It has been charged that because there are so few getting subsidy compared to the total number licensed, that there is obviously a tremendous black market by people who don't receive subsidies from the Government. Those people who don't receive subsidies, but still have licenses, kill a very, very small proportion of the total volume of livestock. Every check we have made of the RFC's payment of subsidies shows that they pay subsidies on practically the entire commercial volume of livestock; that is excluding farm slaughter. Now, the discrepancy comes in partly because the RFC pays subsidies only to people who kill more than 2,500 pounds live weight per month. A person may hold a license and kill less than that, and consequently would not be eligible for the subsidy. Furthermore, we have some of these small butchers locally in rural towns who kill maybe two or three cattle a month and sell the entire product at retail prices, who never bother to apply for the subsidy because the amount is small and their margins are adequate anyway when they combine both the slaughterer's margin and the retail margin.

Senator MILLIKIN. I am not so sure—had you finished?

Senator HICKENLOOPER. Well, go ahead.

Senator MILLIKIN. No. Go ahead.

Senator HICKENLOOPER. I would like to ask you: What is your opinion, if the meat went out from under control, what is your judgment on what the price would do?

Mr. ERIKSON. I do not think anyone knows how high the price would go. Certainly, the mere fact that we have such a difficult time controlling the price of meat under the terrific pressures of demand would indicate that it would go up very substantially. I might point out that following the last war when the per capita supply of meat was somewhat greater than it is currently, prices were about 25 to 50 percent higher than they are now, depending on the species involved; and yet purchasing power, of course, was much less, and the outlet for the available purchasing power was also greater after the last war than it is now. So I think that the prices would go up rather substantially. It is impossible to say how much they would go up; I don't know.

Senator HICKENLOOPER. Well, I realize that you cannot look into the future and put your finger on the exact percentage, but just give us some idea of what you think is substantial. 25 percent? 50 percent? 100 percent?

Mr. ERIKSON. I think there is a good chance that the prices on your better cuts of meat, those that are in strong demand, would go up easily 50 percent. It is a pure guess, Senator.

Senator McFARLAND. And the poor cuts come down?

Mr. ERIKSON. I do not think the poorer cuts would go down at all. I do not see any reason why we should expect them to go down.

Senator MITCHELL. What percentage do you say for the better cuts?

Mr. ERIKSON. I just say I would guess maybe 50 percent, maybe more than that.

Senator HICKENLOOPER. How much would the poorer cuts go up?

Mr. ERIKSON. I don't know. I think they would go up because there is pressure on them at the present time.

Senator HICKENLOOPER. We had a statistical chart in here of an economist, a price analyst by the name of Mr. Bachman, day before yesterday, in which he showed that in comparison with the 1926 prices the better cuts of meat were down and the poorer cuts of meat are up in price. Chuck steak, for instance, was well up in the center of that rise, on that analysis.

Senator McFARLAND. Do you know what has become of these so-called better cuts of meat?

Senator HICKENLOOPER. I think I do; yes.

Senator McFARLAND. Where are they going now?

Senator HICKENLOOPER. I think they are going into the black market. I think they are going to establishments that cater to a high-priced trade, and they get a fancy price for them, and they are going into the black market.

Senator BUTLER. Mr. Chairman, the conversation seems to be here as to what is—

Senator HICKENLOOPER. Well, may I just finish this statement?

Senator BUTLER. Yes.

Senator HICKENLOOPER. Did you give me an estimate on the lower cuts of meat?

Mr. ERIKSON. I don't know how much they would go up, Senator. I am certain that there are strong enough pressures now so that they would go up substantially above their present levels. For example, we increased the prices of the low-grade cuts recently to offset the wage increase, and they immediately came up the full extent of that, instantly. There wasn't any softening of the market at those higher prices.

I wanted to go on to say also that it is true that some of our higher quality cuts are somewhat lower than they have been in relationship to the lower grade cuts in the past. It should be pointed out in that connection that when we recently made the price adjustment to offset the wage increase, we recommended to the industry that the entire increase should be on the better cuts; and the industry, five industry advisory committees participating, voted that we should put the increases uniformly across all cuts, and that was done at that time.

Senator HICKENLOOPER. Now I have here the Bureau of Agricultural Economics bulletin entitled "The Demand and Price Situation," of March 1946, in which they say in reference to livestock and meat [reading]:

Prices and unit returns to producers during the latter half of the year will depend partly on ceiling prices and subsidy programs in effect at that time. Present indications are that without ceilings retail meat prices would advance 15 to 20 percent.

That is the Bureau of Agricultural statistics, whose guess has been pretty accurate of things in the past.

And then their April bulletin makes another statement [reading]:

The supply of meat available to civilians in 1946 may be 145 to 150 pounds per person compared with 130 to 135 pounds per person in 1945.

Mr. PORTER. Senator, would you read that figure again, of the increase?

Senator BUTLER. Fifteen to twenty.

Senator HICKENLOOPER. Here you are [indicating].

Mr. PORTER. That is without ceilings and subsidies, and I cannot understand—

Senator HICKENLOOPER (reading):

Present indications are that without ceilings retail meat prices would advance 15 to 20 percent.

That is page 10.

Mr. PORTER. Without ceilings and subsidies?

Senator HICKENLOOPER. They say without ceilings.

Mr. PORTER. That is about the amount of the subsidy.

Senator HICKENLOOPER (reading):

Present indications are that without ceilings retail meat prices would advance 15 to 20 percent.

That is page 10, if you want the reference, the Demand and Price Situation for March. It is the bulletin of the Bureau of Agricultural Economics of the United States Department of Agriculture.

Senator BUTLER. That has been alluded to here several times.

Senator HICKENLOOPER. Well, this is the March-April; this is the Livestock and Wool Situation. This probably may have been issued a little later than this. This Demand and Price Situation is March 1946, and this other bulletin is the Livestock and Wool Situation for March-April 1946, so I assume that it has been issued about the 1st of May. And again, in discussing the outlook, it says, as I quoted a minute ago [reading]:

The supply of meat available to civilians in 1946 may be 145 to 150 pounds per person compared with 130 to 135 pounds per person in 1945. Despite this increase, the supply of meat will be insufficient to meet consumer demand in full, at present prices, at least through early fall.

This is the statement I wanted to get on this statement on price ceilings. They are talking about the present prices and demand [reading]:

If price ceilings on meat were removed, the average retail meat price in the second half of the year probably would be 15 to 20 percent above present reported levels—

and the present reported levels, I may say, are the reported prices of the Bureau of Agricultural Economics—

and somewhat higher than this for the better grades and more desirable cuts.

Indicating a somewhat increased price for the better grades. It seems to me that is a fairly authoritative source of estimate on about what would happen over-all on the meat situation if ceilings were taken of.

Mr. ERIKSON. I don't know how they arrive at those figures, Senator. I say for myself, I personally think that the estimate is

low. I do not know what basis they use to obtain them. I have not checked that.

Senator HICKENLOOPER. Well, they have usually been within about a percent of error on most of their agricultural estimates. They have been pretty accurate on agricultural products in the past. I would give their opinions very substantial weight.

Senator MILLIKIN. Mr. Chairman, I would like to ask the witness to give his own explanation of the price situation in meat, legitimate and black market, in relation to the abundance of livestock on the ranges and on the farms.

Mr. ERIKSON. Senator, the availability of livestock on farms, of course, does not mean that that is meat ready for consumption.

Senator MILLIKIN. Of course not.

Mr. ERIKSON. It is true that we have, according to the January figures, something just slightly below 80 million head of livestock in this country—that is, 80 million head of cattle including dairy stock—which is something like 2 million less than the preceding year. Now I think it is generally known that throughout the country that every animal that wants to be sold readily finds a purchaser; so that all the livestock that farmers, producers, want to market readily find someone to take them off their hands at prices which are very good, incidentally.

Senator McFARLAND. Mr. Erikson—

Mr. ERIKSON. So the price ceilings operations have not in any way impeded the marketing of this livestock. They are coming in just as fast as the producers want to release them. Consequently, I do not see how you would expect any more to come in, in the absence of price control.

Senator MILLIKIN. Now, then, what happens from the point that the rancher or the farmer delivers his cattle to someone? What happens between that point and the retail counter to stymie up this whole business?

Mr. ERIKSON. I don't know that I follow your question, Senator.

Senator MILLIKIN. You have said that any farmer or rancher can sell all the livestock that he wants, he can find a ready market for it; is that right?

Mr. ERIKSON. That is correct.

Senator MILLIKIN. Is your point that he is not selling enough?

Mr. ERIKSON. Well, I wouldn't say that, Senator. I think he is marketing them as fast as economically feasible.

Senator MILLIKIN. Then your problem lies some place between his point of delivery and the retail counter. Tell us what is happening in there that snarls up this whole thing.

Mr. ERIKSON. It is the diversion that has developed, as I tried to explain a few minutes ago, largely during the last few months and particularly since controls were removed last fall. I think the question can be fairly asked why didn't OPA and the Department of Agriculture put into effect a program which would tend to channel livestock similar to the one we put into effect last week? The reason that was not done was that we had hopes we could control things without putting in another slaughtering limitation.

We would have preferred to operate it if we could have so as to get distribution of livestock among the legitimate slaughterers. We had a

great deal of custom slaughtering going on which meant a good deal of diversion away from the regular slaughterers. That was curtailed by one of our actions recently. However, that didn't put a limitation on how many cattle such people could kill.

So we felt it necessary to move into this control order. It is true there was quite a diversion during recent months away from those regular slaughterers. That was the sole purpose of putting into effect the control order which is in general a plan which provides sharing of the livestock among operators who were operating in 1944.

Senator MILLIKIN. It is your theory that the diversion has caused the snarl-up?

Mr. ERIKSON. Yes. There is no question but a difficult problem was created, particularly for the man who could not obtain his proportion of livestock and his volume is down from what he normally would kill.

It not only caused difficulty for the slaughterer, but also caused difficulty for all the people who normally purchase from him.

Senator MILLIKIN. Tell us what happened along the way that reduced your supply of meat. Make it in kindergarten terms. We are all out to get instruction.

Senator McFARLAND. May I just add one suggestion to this? Maybe in the course of this discussion you can answer a question I have in mind, too.

What I am particularly interested in, if I may interrupt—

Senator MILLIKIN. That is all right.

Senator McFARLAND. I do not think you are ever going to solve this meat situation by controls. I think you may kind of improve it a little here and there, but I don't think it can be done. We have lived through it during the war and it has been troublesome all the time. That is not in criticism of you or the Price Administration in the way you handle it. I just think it is a very, very hard job, a very, very hard problem to handle.

Now, the war is over, the thing that we are interested in—that I am interested in—is, will conditions be any better for lifting price control a year from now than they are now? What conditions have to exist for you to lift prices on meat?

There is quite a demand on us to pass legislation to lift controls. I have wondered if you would lift controls a certain length of time, say 3 months or 2 months, with the authority to place it back if it got out of line, if that would cause people to market their stock and maybe even run prices down rather than run them up.

What I am interested in is what plans have you; what are your plans to take control off of meat? When do you think it can be done? Personally, I do not believe you are ever going to solve it with control. You put one control on and it does not work. Then you take it off. Then you put on another one, shift around and do the best you can, but there are just so many factors involved in meat that it makes it a very, very difficult thing to handle.

Now, I wanted to hear a general discussion in some way, coupled with the thing you are asking Mr. Porter, Senator Millikin, as to how you expect to handle this thing.

Mr. PORTER. May I comment on that? I was very much interested in Senator Hickenlooper's statement of the BAE. As Mr. Erikson pointed out, we disagree as to the measure of increase that

might take place. We don't think anybody knows. That is a calculation based on an immeasurable demand, but assuming the figures are correct, we have a 20-percent increase in retail price of meat.

I don't know of any particular claim for immunity from price control for any particular commodity that is an important cost-of-living item, such as meat. It seems to me that the issue is not whether the meat price would rise 20 percent, but whether food prices generally would rise 20 percent, and it seems to me if Congress does determine to direct this agency to decontrol meat, or any other product, in the situation we are now faced with, it is a responsibility that certainly myself, as Price Administrator, would not want to take, because we think the consequences of it, the diversion that has been mentioned here, and all the collateral effects would be a real blow to stabilization.

Senator HICKENLOOPER. But, Mr. Porter, what about the responsibility you are bound to take for this terrible meat situation that exists in the country and that is known to every newspaper and to every community in the country, big and little, which is generally conceded by everybody but OPA to be—I mean apparently everybody but OPA—the result of the confused price policy?

How about that responsibility? Maybe you do not admit that is your responsibility.

Mr. PORTER. We look at certain phases, hardship cases of producers—

Senator HICKENLOOPER. You could not get the cattle feeder to say that.

Mr. PORTER. That is the result of the feed situation primarily.

Senator McFARLAND. Are you distinguishing the producer who grows cattle on the range and the feeder?

Mr. PORTER. There is no question but what the feeders are in difficulty. They are going to be in greater difficulty.

Senator McFARLAND. One of your big difficulties, is it not, is that there is a conflict of interest between your range cattle taken off of the grass, your feeder, your packer and your retailer? Have they all ever come in with one particular program except removal of price control?

Mr. PORTER. That is the only one I know anything about.

Senator McFARLAND. And if you please one of them, you won't please the other, do you? Is that not a kind of a history of the situation? If you please all of them you may not please yourself. I don't know.

Mr. PORTER. If we decontrolled, I don't think we will please anybody, ultimately.

Senator McFARLAND. But here is the thing—

The CHAIRMAN. You mean prices will go up?

Mr. PORTER. Yes.

Senator McFARLAND. It is going to have to be decontrolled sometime.

Mr. PORTER. Correct.

Senator McFARLAND. They say there is plenty of meat. They say they have lots of stock. Now, the law of supply and demand, if it ever works, ought to work now.

Mr. PORTER. I heard Secretary Anderson asked the question, "How do you measure demand for a beef steak?" I don't know.

Senator BUTLER. Do you not have an advisory committee on meat as well as other commodities?

Mr. PORTER. Yes, we have several of them.

Senator BUTLER. Are you guided at all by any suggestions they make? They are really in the business, I suspect.

Mr. ERIKSON. We certainly do follow their suggestions on every point that it is possible to do it without being in conflict either with the act or the standard policy of OPA.

Senator BUTLER. What is the gist of their conclusion on the whole thing? Is it not that the price be decontrolled?

Mr. ERIKSON. They have asked for price to be decontrolled. That is right. I would like to answer Senator McFarland's questions. In the first place, we think if price controls were removed for a 60-day period as an experiment it would be almost impossible to put them back. As you know, the cattle feeders would buy cattle during that 60-day period at the higher prices. There isn't any question but what his prices would go up under the pressures that exist now. They would have those cattle in at the higher prices—

Senator HICKENLOOPER. I don't want to dispute Mr. Erikson, because he knows more about these things than I do, but as I view it and from my information they would not go out and buy these feeder cattle if you took off control. At least, I have talked to some of the best feeders in our State, who tell me if these controls went off they would be very hesitant and cautious about buying feeder cattle in any great amount. They would want to see just what the market did, see where it settled down to, or settled up to, see what the law of supply and demand would do. They could then figure out their cattle-feeding program, feeling that the market would be sustained for a while, but the question of how much they would hurry into the feeder market to fill up their feed lots which are beginning to empty a little bit, they tell me they would go very slow on it.

Senator McFARLAND. I would think they would be taking a long chance if they thought controls might go back on in 60 days if they went out into a high market and bought cattle that they had to sell after the controls went back. I would think maybe the effect might be not to have as many feeder cattle.

Mr. ERIKSON. Then that would be bad, also, Senator. You would have a blank spot, a slowing up of the feeders for 60 days. Suppose they didn't bid up the price; the packers would bid them up anyway; they would immediately step in and attempt to get their volume back on all grades of cattle.

Not only the high-grade cattle, but the low-grade cattle would go up.

Senator HICKENLOOPER. Well, did not your cattlemen and I believe the Secretary of Agriculture—I don't want to make this as a positive statement, but it is my recollection he said in addition to these cattle, the cattlemen ought to liquidate 6 or 8 million head of cattle for the welfare of the cattle industry, that we have too many cattle for a well-functioning cattle economy.

I know that your feeders feel that, and I know that your feeder cattle raisers believe that, and it runs in my mind that the Secretary agrees to that.

Mr. ERIKSON. I think that is correct. We have asked for some liquidation of cattle. I don't think the removal of price control will get liquidation. The farmers would have a tendency to hold back. That is the other thing I wanted to mention that would cause a chaotic condition. If you released the livestock from price control it

is only natural that prices would go up and your farmers would hold back their feed supply on a rising market. I think that is well known and statistics bear it out.

So you would have a situation that would nullify our program to get corn off of the farm, which would also cause a chaotic condition for a lot of feeders if they got caught by the roll-back.

Senator McFARLAND. Are you not going to get that corn out on the market that you are expecting to get out very shortly? You are not going to keep this price up all the way along, paying a premium?

Mr. BAKER. The corn increase, sir, is a permanent increase, good for the season through June 30, 1947.

Senator HICKENLOOPER. Which corn increase is that?

Mr. PORTER. The 25-cent increase announced the day before yesterday.

Senator McFARLAND. Well, how are you going to solve this thing? How are you going to reach the objective? Will it be better a year from now than it is now? What can be done? What are you trying to accomplish that is going to enable these controls to go off a year from now on meat? What are the factors that will exist then that do not exist now? That is the big thing. We ought to have an objective. What are you doing to try to reach it? What do you expect to be reached a year from now that does not exist right now?

Mr. PORTER. We expect conditions to exist that will not create inflation by removing controls not only on meat, but other products of other industries.

Mr. ERIKSON. Certainly a year from now we hope there may be more outlets for the existing purchasing power and the demand for food would be relieved in the presence of more consumer durables.

Senator BUTLER. You mean if they cannot buy certain things they will buy more food?

Mr. ERIKSON. I think that is an established fact.

Senator McFARLAND. That is better than going down to a night club and buying liquor.

Senator HICKENLOOPER. May I read a statement by the Secretary of Agriculture made here the other day? This is before the Agricultural Committee on April 4—I believe this was before the House Agricultural Committee in connection with the testimony of the Secretary of Agriculture on April 4. It is taken from a transcript on page 73 of his testimony. The chairman asked the question of the Secretary, he said [reading]:

It looks as though we had a sufficient supply.

Secretary ANDERSON. A very ample supply which we ought to reduce.

Then on page 81 Mr. Cooley says [reading]:

Mr. CHAIRMAN. I would like to ask the Secretary a question. Is there any scarcity of meat in the country at the present time in view of the large cattle population which we have?

Secretary ANDERSON. Well, there need not be a scarcity of meat. There is sufficient cattle to produce all the meat we need.

Then in the transcript on page 81 and page 82.

Mr. Cooley says [reading]:

We never know what the demand is, do we?

Secretary ANDERSON. We have been able to calculate it pretty well heretofore, but what I am saying is that there is a sufficient supply on the range so that we ought to be able to take care of any demand which the American people may

have and it would be a good thing if that demand could be supplied because we have too many cattle on the range now and I would like to see them slaughtered.

Now, if we have too many cattle on the range, unless we wait an indefinite period in the future, some nebulous period, to have a program for decontrol, when are we going to decontrol these things? I think there is ample authority both in the raisers of feeder cattle and the Department of Agriculture—they all coincide—they all say that there is an ample supply of meat in this country to meet the demand of the American people and that those cattle ought to be brought off the range and through, of course, the feed lots and the processing. When, if ever, is there a time to decontrol if we are not approaching it?

Mr. ERIKSON. As I pointed out before, I think the time to decontrol is when the pressures are less severe than they are now. I think it is obvious they should be less at a time when other goods are available for the existing purchasing power.

Senator HICKENLOOPER. Then you are saying that before this happens we must drain a lot of this money out of the pockets of the American people so that they won't have so much money to spend for food?

Mr. ERIKSON. We think there will be more goods available for them sometime next year, even this fall, than there is at the present time and the pressures will be smaller.

Senator McFARLAND. What goods are you talking about?

Mr. ERIKSON. Consumer durables, washing machines, radios, and so forth.

Senator McFARLAND. Do you think a washing machine will take the place of a beefsteak?

Mr. ERIKSON. It will take the place of it out of your pocketbook.

Senator HICKENLOOPER. Let me ask you this because I do not agree with that theory at all; that is, I don't agree with the theory that when they can buy more washing machines and vacuum cleaners and ice skates, and things of that kind, that they will lower their standard of eating. In other words, if their standard of eating is better now, it will stay there until their incomes go down, until their general budgetary incomes are down.

I think you eat on your income, not so much on what you have got in the bank or savings funds. I think you set your level of food consumption on that. People with a low income will eat at a certain standard of food, a certain standard of meat. As their income goes up they will have fancier food, but I do not believe with the savings in their pockets, that is, the pay-day savings right now, with it bulging in their pockets, will materially—the savings may raise their standard, but it is the general weekly income that they have that will tell whether the curve in their living standards goes up or down.

Mr. ERIKSON. Well, I think a lot of the laboring class are spending most of the money they receive. If we are going to have available consumer durable goods to spend that money for, they are not going to have it available to spend on higher-priced food. They will probably be eating lower-priced foods and meat, rather than meat which is fairly high priced.

Senator McFARLAND. I agree with you, but the thing about it is that a lot of these people are eating meat that never ate meat before. They were eating beans. I hope they never have to go back to beans.

Senator BUTLER. They might eat beans in Arizona, but we eat beef in Nebraska.

Senator McFARLAND. Well, you haven't got the only State in the Union. There are a lot of people that are eating better than they ate before and I will venture to say right in your own State of Nebraska there are people that are eating beef now that never had money enough to buy it before.

Senator BUTLER. I think this would be a good place here to put in the record a wire I received from Ord, Nebr., dated May 4. It says [reading]:

This thing would be funny if not so serious. Check of local markets of which two do their own slaughtering—

There are four markets there—

reveals no meat for sale. Plenty of beef in feed lots. Three order buyers here shipping ostensibly to Montana and California. Marked copy of Quiz explains situation.

Quiz is the local newspaper. It is signed by E. C. Leggett, editor.

I will not read all of that article. It is rather long, but this might be revealing to Mr. Porter and others who have this whole program in hand, or are trying to handle it. [Reading:]

Coincidentally, this week's Quiz carries a letter from Ernest S. Coats, assessor of Ord Township, which delves a bit further into the meat situation as it exists today, and what it will be in the future. Mr. Coat's letter states that only two of 89 farms in Ord Township were carrying the usual number of hogs. Most farmers are culling their herds to one-third of the usual number of hogs.

That comes from the heart of the feeding territory. I think the whole meat situation can be summed up this way: It is entirely too complicated to be handled by any one man. There are thousands and thousands of people who have been engaged in the production of meat for food and taken altogether they are a pretty good class of citizens. Each one looks after his own business. I think we have got to get back to an economy of letting each one still look after his own business instead of trying to tell each one of these ten to a hundred thousand people how to run their affairs.

I think like some of the other Senators here today, there is only one cure for it and that is the removal of ceilings and let nature take its course for a while. We have ample meat, or at least the carcasses for making it and we have the prospect of a good crop again.

Mr. ERIKSON. Would the Senator include hogs and pork as well as beef?

Senator BUTLER. Yes.

Mr. ERIKSON. Would you include grains as well?

Senator BUTLER. Personally I would keep the ceilings on grain until the new crop gets under way. I don't like removal of ceilings when your bins are empty. Naturally there would be a sharp upturn, but if you maintain these ceilings which I think are very fair, I think the people over the country generally consider them fair, but I think if you keep ceilings on until this crop comes in next fall, it would be better, but you should announce now that that sort of a program is going to be adopted.

Mr. PORTER. I would like the record to show very clearly that our position is that mandatory decontrol of meat is tantamount to the decontrol of all foods and what would happen to price control and

wage stabilization in the event of that situation is something I would not care to have the responsibility for.

Senator BUTLER. We do not have any wage stabilization, Mr. Porter.

The CHAIRMAN. Well, we are beginning to argue now, are we not?

Senator MILLIKIN. I would like to pursue the question I started a long time ago.

Senator McFARLAND. I beg the Senator's pardon for interrupting.

Senator MILLIKIN. That is all right, Mac. As I recall it many years ago the whole livestock business used to be a case book example of the perfect operation of supply and demand. It was emphasized there was never a time a man had any livestock that he could not find a purchaser. He might not get the price he wanted, but he could always find a purchaser for his livestock, and the market adjusted itself according to the grain relationship, demand, and everything else.

It used to be cited as a perfect example of the well-balanced operation of private economy. Is what I am saying correct?

Mr. ERIKSON. I think that is substantially correct, sir.

Senator MILLIKIN. All right. Here we start it. I think you have said that there is abundant livestock available and there is plenty of evidence here to that effect. It must follow that through price controls or artificial systems that we have destroyed that perfect piece of functioning economy.

If you have an abundant raw material to start with and a great demand at the other end and yet you cannot balance supply and demand, is it not necessarily due to artificial hurdles that are put in the way of it? Is not that necessarily true? What else can there be except that?

Mr. ERIKSON. I don't agree with that conclusion.

Senator MILLIKIN. That was what I was coming to a long while ago. I would like for you to explain to me the hiatus between plenty of livestock on the farm and range, and a shortage of meat on the retail counter.

Mr. ERIKSON. In the first place any person now who has livestock can find someone to buy it, as he always could. So that part has not been changed under price control at all.

Senator MILLIKIN. That is right.

Mr. ERIKSON. Now, the question has been brought up, or the statement made repeatedly, that we have enough livestock at the one end to take care of the huge demand at the other end. That is not true at the present ceiling prices.

Senator MILLIKIN. Well, I would like to back up with you just a minute. You say that the owner of the livestock can dispose of his product as he always could. Can he dispose of it to legitimate purchasers as he always could?

Mr. ERIKSON. Yes; it can be disposed of to commission houses which I think are operating in compliance with the regulations.

Senator MILLIKIN. But with a legitimate man out to buy his stuff and a black market man out to buy his stuff, is there not rather heavy pressure on the man that owns that livestock to divert part of it into other channels at a different price?

Mr. ERIKSON. Yes; that is true.

Senator MILLIKIN. So that right at the outset, right at the point where this man disposes of his livestock, you have a maladjustment due to artificial causes. All right. Let's trace it on from there.

Mr. ERIKSON. Any slaughterer can buy his livestock exactly the same as he has always bought it, but the price that one man would pay is substantially more than another man would.

Senator HICKENLOOPER. What percentage of the livestock goes into those channels?

Mr. ERIKSON. I don't have the percentage.

Senator MILLIKIN. What did you say it was, Senator Hickenlooper?

Senator HICKENLOOPER. What is your question?

Senator MILLIKIN. Well, I think perhaps 25 or 30 percent of your livestock is going to legitimate traceable channels at the present time.

Mr. ERIKSON. I don't agree to that statement at all. I think it assumes that a person who is down in his volume because of regulations is naturally giving way to someone who operates illegally and that is not the case.

Senator MILLIKIN. I do not accept that as a complete assumption. It is partially valid, is it not?

Mr. ERIKSON. Naturally, to the extent you have diversion you have some black market.

Senator MILLIKIN. All right. Right at the outset, at the first point, where your man gets ready to sell livestock, because of artificiality, he can either take his stuff to the well known people at a fixed legal price, or he can divert it into channels which are not fixed and which are not legal, and the most of it is going into those off-side channels.

Mr. ERIKSON. I think you have to break your question down into two or three parts. Let us take the case of the man who sells the cattle. We certainly have had some diversion. It was because of that diversion we put into effect our control order which we expect will divert these cattle back to the regular channels.

Senator MILLIKIN. I am not talking about control orders, or prices. I am just trying to trace the channels of distribution of meat and meat products. These things are happening under existing law, but forget price for the moment; forget your new orders for the moment. Let's trace out what is happening to this meat between the time the fellow sells the cattle and the time it gets onto the meat counter—or into other places.

Mr. ERIKSON. I would start in with cattle being handled by commission firms and at that same market we have people who are buying cattle for slaughter in Chicago. We also have people who are buying in the names of other people or other buyers for shipment elsewhere frequently, and the price is made by that combination demand on the part of people buying in their own name and people buying for others.

Now it is admitted freely that the order buyers coming into this market and buying for eastern slaughterers, primarily people who frequently have cattle slaughtered by others, have been tending to make the market at that point and the price has been pushed up sufficiently high in the case of cattle so that people operating or attempting to operate in strict compliance with the regulations find that the price is too high.

In some cases that price has been out of line to the extent of, maybe, 1 or 2 percent. That doesn't mean a legitimate person cannot obtain any cattle. He does buy some.

Senator MILLIKIN. I am not disputing that there is some legitimate purchasing outside of the big league packers. I am not disputing that at all, but I do dispute it if you are trying to give the impression

there is a vast volume of it. But go ahead. Trace this out to the meat counter.

Mr. ERIKSON. So that the livestock then is purchased by different types of people. Some of it is killed in Chicago. Some moves to other points. Some of it goes on to the East. A large part of it has been going to the East in recent months.

Senator MILLIKIN. Is it correct at that point when it reaches its destination it arrives into the hands of several types of slaughterers? It can arrive in the hands of an efficient slaughterer who recovers everything that can be recovered in the way of byproducts and so on, or it may arrive into the hands of a less efficient slaughterer, and finally on down to the fellow who is just anxious to get a salable piece of meat out of it.

Mr. ERIKSON. I think that is true, but I think that most of the byproducts are eventually utilized.

Senator MILLIKIN. Senator Hickenlooper's figures are all to the contrary, but will you go this far with me: That these diversions that that you have now been describing tend to depreciate the total recovery from the meat?

Mr. ERIKSON. I think the amount of lost byproducts due to diversion is greatly overexaggerated, because we find that the people who have disturbed our market system to the largest extent are people killing in large numbers in large plants and are tending to recover almost all the byproducts that any other slaughterer would tend to recover.

Senator MILLIKIN. Your hypothesis there is that those people are also in the legitimate business?

Mr. ERIKSON. No; I don't think so. I am saying that some of these large plants—I am not talking about the four big packers—I am talking about people who kill sufficient numbers so that it is possible to recover the byproducts, rather than the little fellow who tends to throw away all the byproducts.

Senator MILLIKIN. Your position is that this tendency toward the loss of meat has been greatly overexaggerated?

Mr. ERIKSON. I am afraid so.

Senator MILLIKIN. You do not dispute there is a loss of byproducts?

Mr. ERIKSON. Well, there always was and always will be.

Senator MILLIKIN. Well, there is at the present time, through these diversions that are going on?

Mr. ERIKSON. Yes.

Senator MILLIKIN. You have some loss of meat through these diversions. Have you not a slow-up in your flow sheet also because of those diversions?

Mr. ERIKSON. A slow-up in what?

Senator MILLIKIN. A slow-up in distribution?

Mr. ERIKSON. I don't think so. Maybe I am not following your question, Senator.

Senator MILLIKIN. Do you think it is more efficient, for example, to ship livestock to Chicago and slaughter it there and distribute the products there, or is it more efficient to ship the cattle to Chicago and then down to some other point, possibly for reshipping and finally get into a slaughterhouse somewhere else?

Mr. ERIKSON. It is more efficient to kill near the point of supply, but you always have had cattle sent away from those centers.

Senator MILLIKIN. Senator Hickenlooper showed that a very substantial increase has occurred in these diversions from their normal point of slaughter. Is that not an impediment or hindrance to some extent in your flow sheet?

Mr. ERIKSON. Yes; you certainly are losing some products to the extent that occurs, but we don't know the extent of it.

Senator MILLIKIN. Is there not a slowing up in the whole rhythm of your business through the operation of those influences?

Mr. ERIKSON. I think definitely there would be a loss of product, but—

Senator HICKENLOOPER. If you admit it is the quickest thing to do, most efficient to slaughter at Chicago, you have to admit it takes more time to transship at Chicago and send stuff to some other place and slaughter it there.

Mr. ERIKSON. Well, either the cattle or the meat have to move to the East. It is true your cattle probably move slower than your meat, but there isn't a large amount of difference in the time.

Senator TAYLOR. After you once get that other movement going, it is just as fast?

Mr. ERIKSON. I think there is probably a tendency to move faster when it is in black-market hands than when it is not.

Senator MILLIKIN. I think you had better consider the testimony before this committee that would sustain my point. There is a lot of testimony to that effect.

Senator HICKENLOOPER. I have some information in regard to byproducts now, if you are through with the witness.

The CHAIRMAN. Is this the end of our witness?

Senator MILLIKIN. No. I want to get to the meat counter, the retail store. I am going to get there if we have to stay here all night.

The CHAIRMAN. Let's get there now.

Senator MILLIKIN. Now, we get this meat which has gone into these various channels, we get it into the slaughterhouse. Would you say that the slaughtering practice and the whole slaughtering industry, legitimate and illegitimate, and otherwise, is as efficient now as in normal times—as in a normal economy?

Mr. ERIKSON. No; I don't think it is.

Senator MILLIKIN. Of course not. Now, then, what impediments occur from the slaughterhouse, after they finish doing their business, between there and the retail counter, or any immediate stops you want to leave us at?

Mr. ERIKSON. Whether the animal is killed in a plant down East or killed somewhere else and the meat shipped into that particular city, the meat will find its way into retail stores. The unfortunate thing about diversion and the thing we have been trying to correct is that the person who would normally buy from an established firm finds that he cannot get his regular volume of meat because that slaughterer's volume is down, and he has to turn to other sources of supply, and as I pointed out before, the diversion causes a bad effect upon the retailer who is depending on a normal source of supply as well as the slaughterer whose volume is down.

Senator MILLIKIN. Would you dispute when he gets away from his regular source of supply and shops around with the Johnny-come-latelies in the business that he is often subjected to black-market pressures?

Mr. ERIKSON. I am certain that is true.

Senator MILLIKIN. Well, then, do you not think the accumulation of all these things—I am not talking about your controls or your orders—the accumulation, of all the diversions and these black-market transactions, the accumulation of loss of meat, however much you think it may be, that all of those things produce perhaps a shortage at this end, whereas you have an abundance at the other end?

Mr. ERIKSON. No; I do not think the loss involved is at all appreciable in lost meat.

Senator MILLIKIN. We have gone all over that. We have a difference of opinion. I do not ask you to accept my theory, but what is responsible for an abundance here and a shortage there?

Mr. ERIKSON. I think I can answer that question if you will permit me.

Senator TAYLOR. Mr. Chairman, I do not think there is an abundance any place. My own personal opinion is that the Secretary of Agriculture is mistaken when he says that there is so much livestock they should be slaughtered. Am I right? I don't think we do have all this livestock. I think the trouble is that there are so many people that never ate meat before to any extent, they have the money today to buy it and now the demand is so great it cannot be satisfied. If we had the feed to feed all these cattle we could use a far greater amount.

Senator MILLIKIN. Senator, if the witness wishes to take the position that there is not an abundance on the range and farms, he would reverse an opinion he has already given, but I am perfectly willing that he do so if he wishes to do so. If he wishes to trace this shortage from the counter back to the range and farm, due to the shortage on the range and farm, and exclude or include any of the intermediate elements I am willing that he do so. All I wanted to do is to have him explain under his opinion what accounts for what is alleged to be an abundance on the farm and range and a shortage on the meat counter. I want to get his opinion.

Senator TAYLOR. I just wanted to give my opinion, that there is no abundance any place.

Senator MILLIKIN. I am glad to have your opinion, too.

Mr. ERIKSON. Senator, if I left the impression that I thought there was an abundance at one end, I want to correct that because I didn't intend to leave that impression. I said we do have a much stronger demand than we have available supply, which means there is no abundance of meat at any point, either at the farm level, or any point between there and the consumer. I have said probably the available livestock which we now have would meet the demand if we didn't have any price control because it would be sold at a higher price level and naturally the demand would be less and it would tend to equate the available supply under the market.

Senator MILLIKIN. All right. You say that there is a sufficient amount of livestock in existence to supply the demand at a price. Is that your point?

Mr. ERIKSON. Yes. I am quite certain that would be true. If the price goes up high enough, you cut out part of the demand, so that the demand would not then exceed the available supply.

Senator MILLIKIN. Is there not enough livestock on the range at the present time to take care of the normal consumption of meat?

Mr. ERIKSON. Well, the per capita consumption this year will run slightly higher than it did in 1939.

Senator MILLIKIN. Would you say there is enough livestock on the range to take care of the normal consumption of meat?

Mr. ERIKSON. To give people the same amount of meat they were eating during the 1930's?

Senator MILLIKIN. Yes.

Mr. ERIKSON. Yes; I think so.

Senator MILLIKIN. If you did not place hindrances between the grower of the livestock and the retailer that will not let the livestock flow to the counter.

Mr. ERIKSON. It is flowing to the counter now. The only question is at the present price level the demand for that meat is greater than the supply. In other words, people want to eat more meat than is available. That is what creates the pressure. It is creating it at the consumer end and carrying back all the way to the farm level.

The very fact we have a bad situation with respect to our livestock indicates that the demand at that point is greater than the supply coming to market.

Senator MILLIKIN. Then you believe there is enough livestock to meet the present market, did you say?

Mr. ERIKSON. No; I don't. Not at present prices.

Senator MILLIKIN. You say there is enough to meet the demand at higher prices?

Mr. ERIKSON. I would say that the available supply of meat this year would be greater than in 1939.

Senator MILLIKIN. Then you are carving out of the OPA Act the fundamental theory of the act itself, that when supply and demand are in balance prices should be decontrolled. You want to control them even though they are in balance, because under your theory the price would rise?

Mr. ERIKSON. They are not in balance at the present time. That is what I have been trying to point out. Maybe one of these other people can explain it better.

Senator MILLIKIN. I understand that they are not. The reason for that is that there are so many impediments between the livestock branch of the business and the retail counter. You are announcing the theory, if I understood you correctly, that even if there were none of these impediments, there still would not be a state of balance. Is that correct?

Mr. ERIKSON. At present price levels.

Senator MILLIKIN. We are getting right down to the heart of the problem. You say that is correct, that if there were no impediments—and assume for the moment that there are not—if there were no impediments, the supply of livestock is not equal to the demand at present prices.

Mr. ERIKSON. The supply of livestock does not equal demand at present prices.

Senator MILLIKIN. But it would at higher prices?

Mr. ERIKSON. If the price were high enough. I believe they would have to be a lot higher.

Senator MILLIKIN. If prices were high enough it would bring supply and demand into balance?

Mr. ERIKSON. Yes, at a mighty high price.

Senator MILLIKIN. So that in this field—carve it out as an exception if you want to—in this field you gig back from the proposition that when supply and demand are in balance you still will not decontrol. In other words, you say that in this instance supply and demand can be in balance, but you will not permit it to be in balance, because if you do permit it to be in balance, the price would rise?

Mr. ERIKSON. I think that is true of any commodity, sir.

Senator MILLIKIN. I just want to understand if that is your theory.

Mr. ERIKSON. Yes, sir.

Mr. PORTER. It is the same situation as if a manufacturer were withholding goods.

Senator MILLIKIN. And it is perfectly apparent to you that you will never decontrol if you do not allow enough supply to balance demand.

Mr. ERIKSON. Correct. It is a question of time.

Senator MILLIKIN. So, the question for Congress is whether as a general OPA policy or whether as a specific OPA policy applied to specific items, regardless of the theory that there should be decontrol when supply equals demand, you, when not satisfied with the price, are to be permitted thus to keep supply and demand from getting in balance?

Mr. ERIKSON. Consistent with the over-all objective of preventing inflation and the policies of stabilization, I would say that when supply and demand are in balance as to a commodity it is eligible for decontrol.

Senator MILLIKIN. But you will not let the price go to a point—and I am not now arguing what the price should be or that there should be a rise in price; I am simply arguing the theory on which you operate—here is a perfect case where you will not allow supply to equal demand because you do not want a price rise.

Mr. PORTER. I think you can say that about any commodity where there is a shortage.

Senator MILLIKIN. I have been probing to get at your basic theory, and I think I have got it now. You will perpetuate a shortage if that shortage produces a line, which is an unrealistic line, as it is in meat—you will perpetuate a shortage because you fear that if you do not perpetuate that fictitious line it would go to the real price and you would have supply and demand and you would have to decontrol.

Mr. PORTER. Where you say “real price,” I do not know what the real price is.

Senator MILLIKIN. The real price is higher, from 10, 15 to 25 percent; set any figure you want to. I am probing the principles under which you operate, and that is all I am doing, and I say that under the statement of the witness you have now announced that you in some cases, at least, you will not allow supply and demand to balance, because it would require you to raise prices to achieve that balance. In other words, you perpetuate shortages which perpetuate your control.

Mr. PORTER. No; I do not subscribe to that.

Senator MILLIKIN. That is the logic of the testimony.

Mr. BOSCH. Senator Millikin, may I make a statement with reference to that?

Senator MILLIKIN. I want to get to the guts of this thing. I am delighted to have your observations.

Mr. BOSCH. I do not know whether I can go that far into it or not. It seems to me that that is a mandate of the act itself. It has always been our interpretation that the thing that Congress feared was that the supply of commodities relative to their demand, with war-swollen pursestrings, would result in such a demand and therefore at such great increase in price, that Congress legislated price control. That means that at all times those products which cannot safely be removed from price control are items in which there is a very serious gap between supply and demand. Supply and demand can always be adjusted by a price adjustment. You need only to raise your price sufficiently high to make any seriously short commodity equal the effective demand for it. I think that was the point that Mr. Erikson was getting at.

Senator MILLIKIN. I see no difference between what you have said and what Mr. Porter has said.

Mr. PORTER. As the obverse of it, would you interpret price control as imposing on the agency the duty to raise prices?

Senator MILLIKIN. I would say it was your duty to exercise judgment—first, judgment, double underlined; second, that you maintain price control based on a realistic policy, and attempt to bring about a balance that will enable you to decontrol.

Mr. PORTER. By manipulation of the price level?

Senator MILLIKIN. You always manipulate the price level. Every price you set is a manipulated price.

Mr. PORTER. Would you suggest that it is our duty to raise prices to a level that would balance supply and demand?

Senator MILLIKIN. I certainly would, because otherwise you are perpetuating a shortage. You are not supplying the people with the product they want, and you will never get yourself in position to decontrol.

Mr. PORTER. Then we will have inflation.

Senator MILLIKIN. No. It seems to me that there is a vast difference between inflation and a rise in price which is controlled and is realistic. If there is any point to your inflation argument it is that you are guarding against explosive inflation, and as to any measure you have that will guard against that, I will go with you, double underlined; but it does not follow that because you raise a price you are in an inflated state. It does follow that when you maintain a fictitious price level which is not up with the realities of the situation, you are not maintaining price control; you are maintaining a fiction.

Mr. PORTER. I would say that we are in the business of keeping the law of supply and demand from working. There is no question about that.

Senator MILLIKIN. That is the first time that that has ever been stated, and I have tried for 4 weeks to get somebody to tell me that. Now you have told me in so many words, and I am glad to know that.

Mr. PORTER. This is a question that involves a lot of factors. Obviously the price level will rise.

Senator MILLIKIN. I would say that as to any product that is an important problem. You have a list of those that go into the cost of living, but when you want an important item that is in short supply you have got to give enough money to get it.

Mr. PORTER. We have done that repeatedly.

Senator MILLIKIN. I do not say that you have not done it in some instances. I do say that you have not done it in enough instances. You can make a glamorous talk over the radio, but you do not do the American people any good by keeping them in a state of short supply. You do not do the American people any good by maintaining fictitious price levels. When you reach a state of balance you no longer have a short supply.

Mr. PORTER. That depends upon the interpretation of what effective demand is and who can buy it.

Senator MILLIKIN. The state of balance itself is predicated upon the absence of a short-supply situation. You cannot talk about a state of balance and assume a shortage of supply.

Mr. PORTER. There, again, it comes to a definition of demand, as to whether the low-income group can still buy in the market.

Senator MILLIKIN. I want to get the low-income group into the market by having the products leave the mills and go to the distributors, or whatever the process may be to get there, where they will be available to the low-income group; and if you have to allow a fair profit to somebody to achieve that end, I want you to do it. You cannot do it in any other way, Mr. Porter.

Mr. PORTER. I would not quarrel with you on that at all.

Senator MILLIKIN. Of course, you would not.

Mr. BOSCH. Mr. Chairman, we would like to insert in the record at this point the recommendations of the OPA beef industry advisory committee which met with us on the 1st of March of this year. At that time, I think, we reviewed with them most of the serious conditions and criticisms which could be made about the meat situation. At the end of that conference the industry advisory committee made five recommendations which they felt the Government should undertake in an effort to improve the situation. I am glad to be able to say that each of those five recommendations has been adopted by the Government, either by the Office of Price Administration or jointly by the Department of Agriculture and the Office of Price Administration.

I do not know that it would serve the purpose of the committee members to review them all. Some of the orders and recommendations now are matters of general familiarity; but I did think that inserting it into the record would answer the questions both of Senator Butler, who wanted to know about our contact with industry advisory groups and whether we did accept their counsel, and would also, I think, in part at least, answer the question of Senator McFarland when he asked what ideas we had about controlling the situation and trying to get on top of some of these bad conditions that exist here, there, or the other place.

Senator HICKENLOOPER. Could you state in short résumé what those five recommendations are?

Mr. BOSCH. Yes, sir. The first one urged a slaughter-control program because of the marked increase in the number of operators and the marked expansion on the part of other operators to the detriment of many other slaughterers in the business. They also asked for a change in the subsidy withdrawal rate from a 4 for 5 ratio to a 2 for 3 ratio. I will read that recommendation as it is given [reading]:

The present 4 for 5 subsidy withdrawal rate accentuates competition for cattle by all slaughterers when prices are at maximum. Further, the 4 for 5 ratio

tends to encourage a rapid decrease in cattle prices when cattle receipts are more nearly equal to or exceed demand. Therefore, a ratio of 2 for 3 is recommended because it would relieve pressure at the ceiling and provide support for cattle prices in the lower half of the stabilization range.

The third recommendation was that there be no easing of subsidy penalties against operators who did not remain in compliance with the over-all cattle range prices.

I am reminded now that we did not adopt that recommendation in full, because the agency felt that here and there along the line there were instances of nonwillful noncompliance with the cattle regulation, and it was not felt desirable to penalize these operators with full subsidy withdrawals.

The fourth recommendation asked for an automatic withholding of subsidies from slaughterers who did not remain in compliance.

The fifth one asked for a renewed drive against slaughterers not now submitting compliance reports to OPA and to RFC.

In addition to making the five recommendations they also indicated the order in which they felt these moves should be made.

The full recommendations of the committee are:

"1. There has occurred a marked expansion in slaughtering activities in recent months due to (1) a marked increase in the number of persons engaged in custom killing; (2) new operators; and (3) expanded operation by small slaughterers. This development has resulted in much buying of cattle and calves by operators either uninformed, careless, or wilfully disregarding of the cattle ceiling regulations. Therefore, slaughtering should be limited to those operators licensed to do so by OPA under the meat-control program abandoned September 1945. Provision should be made to permit persons who have made actual investments in slaughtering facilities to obtain a license to continue to operate.

"2. The present 4 for 5 subsidy withdrawal rate accentuates competition for cattle by all slaughterers when prices are at maximum. Further, the 4 for 5 ratio tends to encourage a rapid decrease in cattle prices when cattle receipts are more nearly equal to or exceed demand. Therefore, a ratio of 2 for 3 is recommended because it would relieve pressure at the ceiling and provide support for cattle prices in the lower half of the stabilization range.

"3. The present high level of cattle prices making it difficult for most and impossible for some operators to maintain their cattle and beef business argues that there should be no easing of the subsidy-withholding penalties for operators who do not stay in compliance with 574.

"4. Enforcement of 574 should be expedited by an automatic withholding of subsidy from operators shown to be in noncompliance. Such a procedure should admit of adjustments if subsidy is withheld because of clerical errors in the report thus incorrectly reflecting non-compliance. Before subsidies are withheld automatically a study will be made of the adequacy of the current freight-forgiveness provisions by individual members of this committee and by the livestock section of OPA.

"5. OPA should make a renewed drive against slaughterers not now submitting compliance reports.

"6. This committee unanimously and definitely feels that extreme haste is necessary in correcting the present cattle regulations. We

further urge that recommendations (1) and (2) above be made effective immediately; that number (3) be continued in effect; that number (4) be made effective as quickly as proper studies can be made and the findings put into effect; and that number (5) be pushed vigorously at once.

"It is the feeling of this committee that the cattle and beef situation is in the worst position since the beginning of price control. Meat prices are rapidly approaching a condition where there is no semblance of control and unless immediate steps are taken to correct these conditions, any hope of preventing a complete break-down of controls and an inflationary rise in prices for meat will be gone."

Senator McFARLAND. How long have these recommendations been in effect?

Mr. BOSCH. We met with them, Senator McFarland, on the 1st of March. So the accounting period beginning April 1 was the full accounting period that could be gotten into with any of the proposals. Beginning, then, with April 1, the control of custom slaughtering activities was effected; the automatic subsidy withholding penalty was put into effect; the 2 for 3 subsidy withdrawal ratio was put into effect. It took us a little longer to work out the broader, more comprehensive livestock distribution control program which became effective May 1.

Senator McFARLAND. I just wondered if those were the regulations that were causing us so much trouble out there.

Senator HICKENLOOPER. You say that was the 1st of March?

Mr. BOSCH. That we met with the committee; yes.

The CHAIRMAN. A committee of what, now?

Mr. BOSCH. That was the official beef industry advisory committee.

Senator HICKENLOOPER. On the 15th of April there was a meeting of the joint OPA advisory cattle, hog, beef, and pork committees, in Chicago, at which time the quotas were submitted?

Mr. BOSCH. Yes, sir.

Senator HICKENLOOPER. I have what is alleged to be a copy of the resolution adopted by the joint OPA advisory cattle, hog, beef, and pork committees, a month and a half later than this resolution.

Mr. BOSCH. That is right.

Senator HICKENLOOPER. It reads as follows [reading]:

Whereas price control of livestock and meat has completely broken down and black-market operators have moved in and taken control of a large percentage of the production and distribution of meat; and

Whereas the commercial meat establishments which conducted the meat business prior to OPA have had their business largely taken away by more than 26,000 new slaughterers, many who are black market; and

Whereas the potential supply of meat in the form of livestock on ranches and farms is such that a portion thereof should be liquidated now when consumers are ready, able, and willing to buy meat and meat products at a price equaling the producers' cost of production; and

Whereas the black market is endangering public health, in that a large percentage of the black-market meat is being produced in plants without adequate, if any, refrigeration or other sanitary requirements; and

Whereas the black market is fixing the price that the consumer pays for meat, and OPA's "hold the line" price is pure fiction, and the cost of price control on meat now exceeds more than \$2,000,000,000 annually in excess of OPA retail ceiling prices; and

Whereas the widespread black market is causing universal disrespect for all law and is undermining the morals of the public; and

Whereas full legitimate production is the only answer to both inflation and the black-market problems. At this late date, an increase in livestock and meat

ceilings will not get full legitimate production or eradicate the black market. Also, at this late date, improvised regulations, such as proposed today to the advisory committees, are not a remedy nor can additional investigators or more vigorous enforcement bring about compliance with OPA regulations. The black market can only be driven out of business if the legitimate meat packer is permitted to compete with them on even terms: Now, therefore, be it

Resolved, That the OPA industry cattle, hog, beef, and pork advisory committees are unanimously opposed to the proposal that has been submitted to the advisory committees and unanimously recommends that subsidies and price controls be immediately removed from the livestock and meat industry.

The CHAIRMAN. Have you heard of this organization?

Mr. ERIKSON. Yes, sir. It is our official committee in the meat industry.

The CHAIRMAN. You know about that meeting?

Mr. ERIKSON. Yes, sir; I was present at that meeting.

Senator HICKENLOOPER. This is a month and a half after the resolution referred to by Mr. Erikson.

Mr. BOSCH. I might say, if I may, that March 1 conference was with a group of men, a committee which has been working very closely with the agency on all of these problems throughout the war. The meeting in Chicago, which adopted that resolution, included members of additional committees, not quite so familiar with the problem, and it also included noncommittee people who, without invitation, pled their case, shall I say.

All I am trying to suggest is that there is some possibility of giving some greater credit to the formal recommendations by a working committee familiar with the problem in counseling the agency throughout the war.

Senator HICKENLOOPER. Here is a statement that I would like to call to your attention, Mr. Erikson.

On May 1, before this committee, Secretary Anderson testified; and I am reading from page 1928 of the record. Senator Barkley was interrogating him, and Senator Barkley said to the Secretary—and I am reading from the middle paragraph on page 1928:

Now, if there are more cattle per head of people in this country than ever before, and if it is true that an outstanding packing institution that used to slaughter 7,000 head of cattle a week can get only 500 because it is more profitable for farmers and others to sell their cattle somewhere else, what is the remedy for it if that is true? And if it isn't true, to what extent is it misrepresentation?

Can you give me any light on that subject?

In response to that question of Senator Barkley, Secretary Anderson said this [reading]:

I think that it is absolutely true that the large, well-integrated packers have not been able to go into the market and buy cattle. I realize that there has been a belief that they are on a buyers' strike, but we have tried to check—

and I want this statement to be observed—
but we have tried to check, in the times that we were running the plants—

That is, when the Secretary of Agriculture and the Government were running these plants themselves—

and we found it impossible for those firms to go into the market and buy cattle within the compliance range. The difficulty is that they are large.

Senator BARKLEY. They are what?

Mr. ANDERSON. They are large; that they are well recognized, that they are reliable, and they are not willing to gamble with buying cattle at improper prices; and therefore, if the ceiling is \$17, they must stay within the compliance range, and they do try to stay within that range. They try to buy within it. But

they are up against the competition of people who are not in the slightest interested in staying in the compliance range, and who take it away from them as fast as they can.

Senator BARKLEY. Yes. And the difficulty is that apparently there is no way by which you can stop those on the outside who are willing to pay more than the price range and therefore deprive the legitimate markets of not only the right or the opportunity to obtain cattle, but you may endanger the people by this slipshod way of slaughtering and selling meats without proper regulation on the part of the Government. That has been worrying me.

Mr. ANDERSON. That is precisely why these slaughter quarters have been restored.

I would like to make two observations here. I have a telegram from Eli Lilly Co. which was in the hearings of the Senate Committee on Agriculture and Forestry on April 10, in which it is stated that if the situation continues much longer someone must be prepared to accept responsibility for shortage of essential drugs, such as insulin and other important drugs such as bile salts, pituitary preparations, and so forth, of which the current procurement is short and appears to be getting worse right along.

Here is a story from the New York Journal-American—in fact, I have two stories. They seem to be interested in that matter. One is of Sunday, May 5, 1946, and the other of Tuesday, May 7, 1946. The one of Sunday, May 5, 1946, is as follows [reading]:

[From New York Journal-American, Sunday, May 5, 1946]

MEAT RACKET CUTS VITAL DRUG SUPPLY

Manufacture of many life-giving medicines has been curtailed because meat black marketeers are keeping off the market vital animal glands and organs from which they are extracted and compounded.

If the now serious situation gets worse, one pharmaceutical chemist said today, the Nation's million or more diabetics and countless other sufferers from heart ailments will be denied essential supplies of insulin and adrenalin.

Cause of the situation is the black market slaughterer who, after selling his dangerously uninspected meats, burns the evidence.

DRUG MAKERS HIT

Thus he destroys the hides, glands, viscera and pancreas from which pharmaceutical firms make their lifesaving compounds.

Normally the manufacturers are supplied by legitimate slaughterers.

The American Pharmaceutical Co., Inc., of 525 West Forty-third Street, for instance, already has been forced to discontinue manufacture of—

Bile tablets essential to persons whose gall bladders have been removed.

Iron and liver complex tablets used to treat secondary nutritional anemia.

A preparation from animal glands to compensate for a deficiency of thyroid secretions.

A mixed gland compound used as a substitute therapy in cases where a natural deficiency prevails.

A thyroid ovarian pituitary compound necessary as a stimulant to delivery of children by many women.

Liver paste, powder, concentrate, pepsin, and other drugs which are vital in cases of anemia and malnutrition.

A. A. Maffey, general sales manager of the firm, said he was forced to notify doctors, hospitals, and clinics on April 12 that the house could no longer supply them with the foregoing items.

As proof of the reason, he displayed today two letters from Wilson & Co., meat packers, of 951 First Avenue. The first, dated February 9, said:

"We regret to inform you that we do not know when shipments of bile salts compound can be made, owing to the very large list of unfilled orders."

The second, a month later, said:

"It is assumed that you are familiar with the situation pertaining to pituitary products but if not, please be advised that it is indeed most critical."

WARN OF SHORTAGES

Discussing the expected shortage of insulin and adrenalin if the situation continues, chemists pointed out that insulin is obtained from the pancreas of cattle, hogs, and sheep, and adrenalin is compounded from a gland in cattle.

A spokesman for Bristol-Myers, of 630 Fifth Avenue, drug manufacturers, said: "It is my understanding that there is a definite shortage of animal pancreas used in the manufacture of drugs absolutely necessary to the health and welfare of between 1,000,000 and 1,500,000 diabetics in the United States.

"I estimate that if the black market in meat continues, this drug shortage will become critical in 3 months."

A spokesman for Sharp & Dohme Co., of 345 Hudson Street, said:

"We have not been able to supply insulin or adrenalin to fill UNRRA demands."

On May 7, in another story, they start out with a flat statement of conclusion, and I will admit that I do not necessarily say that because it appears here it is a verity.

Mr. PORTER. You do not subscribe to the complete article?

Senator HICKENLOOPER. No; I do not discuss that point at all.

The story of May 7, 1946, starts out by saying [reading]:

DRUG CRISIS LAID TO OPA BUNGLING; INVALIDS PERILED BY MEAT RACKETS and continues as follows:

OPA bungling has produced a critical condition, in which the supply of life-saving drugs, sorely needed by sufferers from many maladies, are fast disappearing from the market, it was revealed today.

The inept OPA handling of the meat situation has resulted in black marketeers destroying vital animal glands and organs from which the drugs are compounded.

So serious is the situation that Dr. John H. Glynn, assistant manager of the Armour laboratories, warned that a "perilous" condition soon will face the country unless black market meat slaughtering is curbed soon.

Manufacturers are almost unanimously agreed this condition will continue as long as the OPA is in existence.

Dr. Glynn also disclosed that a previous supply of reserve insulin, manufactured during the war at top speed at the request of the Government in case of an enemy bombing is fast dwindling. Should black marketeers continue their operations in meat, this supply will be soon exhausted.

Another reason for the shortage, Dr. Glynn pointed out, is that animal pancreas, supplied by legitimate slaughterers, is being used almost exclusively for insulin, thus creating a shortage of other vital drugs.

CRITICAL SHORTAGE

"As of today," Dr. Glynn said, "the production of thyroid products from animal viscera, which have a multiplicity of uses and upon which many people depend for well-being and health, is so critical that they cannot be supplied. Thyroid products today are an allocated item."

Other industries are being hit by the lack of animal glands and organs, Dr. Glynn disclosed, pointing out the shortage of leather products, glycerin, manufactured from animal fats and also gelatin used in the manufacture of medical capsules.

Spokesmen for Armour's said today they are getting only 20 percent of normal delivery of animal viscera and are able to produce very little of the crude salt cake which is the base for the lifesaving drugs.

A critical shortage in suprarenal cortex, used in Addison's disease—a wasting illness—and in cases of low blood pressure, also exists, the spokesman said.

The exposé disclosed that at least one large pharmaceutical firm had been forced to discontinue the manufacture and sale of these drugs.

Meat supplies continued low here in wholesale and retail markets. There was a little beef, lamb, and pork in the Fourteenth Street market area, but not much of anything else. Retailers reported the shortage as great as at any time in recent weeks. Most were unable to get enough meat to serve their regular customers.

Mr. ERIKSON. It is true that during this period of time there has been a loss of those glands, not because the product was thrown away by other people, but because there are only a few companies that save the glands for pharmaceutical use. We have set prices on those glands, suggested by the pharmaceutical trade, and when the volume has increased in the federally inspected plants back to a normal point, those things will be available. During recent years there has been an increase in the number of companies demanding those glands, and although there has been a step-up in the production of them, the demand is greater now than ever before in normal times.

Senator MILLIKIN. Is there any plan to export corn?

Mr. PORTER. That is a question which probably should be addressed to the Department of Agriculture.

Senator MILLIKIN. Do you know of any?

Mr. PORTER. My understanding is that there has been some corn exported. As to the amount and volume I am not advised.

Senator MILLIKIN. Do you know of any plan to continue the export or to enlarge it?

Mr. PORTER. No, sir. I think the emphasis is on the export of wheat.

Senator MILLIKIN. What do you know as to whether or not there will be an increase in the export of wheat?

Mr. PORTER. Well, there is the commitment of 250,000,000 bushels in last February. We are short on that, and so far as I know, unless there are further recommendations, that Mr. Hoover will undoubtedly have, that commitment is the present objective.

Senator MILLIKIN. Have we any commitments that you know of so that we will have to continue to ship wheat?

Mr. PORTER. The only commitment, as I understand it, is the 250,000,000 bushels.

Senator MILLIKIN. Is there an expectation that after that commitment has been fulfilled, or before the situation abroad is corrected or put into better shape, we will have to make further shipments?

Mr. PORTER. I can only express a personal opinion on that, and that is that there will be additional obligations to take care of.

The CHAIRMAN. It is now 6 o'clock.

Is Mr. Roman here? [No response.]

Senator MILLIKIN. I understand that Mr. Roman has gone, but he asks that Mr. Flagg's statement be filed in the record.

The CHAIRMAN. That may be done.

(The following statement was submitted for the record by Mr. J. T. Flagg.)

STATEMENT BY J. T. FLAGG, PRESIDENT-TREASURER, GARDINER-WARRING CO., FLORENCE, ALA.

Mr. Chairman, yesterday afternoon, when I reported to Senator Bankhead that some promised relief by OPA was still not forthcoming on our serious OPA ceiling situation, the Senator asked that I make a statement before your committee.

Our company's experience in dealing with the OPA is an outstanding example of the serious dilemma in which a manufacturer can find himself through no fault of his own. Our case points out most vividly how utterly impossible it is for the OPA to write rules, regulations, directives, and price formulas that control ceiling prices fairly and equitably, under its present scheme of things. I, for one, feel that in many instances the OPA has been of great benefit and assistance to the over-all economic condition of our citizens in wartime. I, for

one, believe that OPA has been and is trying as best it can to do a good job, subject to the limitations in human wisdom and temperament and judgment and theory. I have seen at first hand the terrific volume of work the various officials in OPA handle, and I have seen them struggling hard to properly administer price control with whatever skill God and book learning have given them. But, on the other hand, I have seen these same people so hampered by rules and regulations and orders and amendments thereto, that they themselves are unable to intelligently administer the act or apply intelligible law to given facts. Therefore, an attitude of pass the buck, sign nothing, and turn over to another becomes the order of the day. I do not feel qualified to approach price control in its entirety, and therefore I speak only as it has applied more especially to our company and to the knit-underwear industry.

I, therefore, report to you, Mr. Chairman, and this committee, what I have seen happen to my company under so-called price control as it is now being administered. Briefly, Gardiner-Warring Co., was one of the first, if not the first, underwear mill to convert to the manufacture of underwear for the armed forces. Back in 1940, I read a book, written by Mr. Baruch, on the activities of his Board in World War I, which was similar to that of the War Production Board of World War II. It was very apparent to me, from the studies and reports of Mr. Baruch, that in case of a World War II the demand and requirements by the armed forces for underwear would reach an astronomical figure and, therefore, our company prepared to handle a very expanded production of this type of underwear. The history is plain; the requirements were great; and the entire underwear industry of this country was called upon to produce underwear in a volume beyond any plans heretofore made and with a speed and efficiency at one time thought impossible. To help in meeting this situation our production went from approximately 40 percent in 1940, to the war agencies, to 100 percent in 1942, and there on until termination in 1945. Because of this complete devotion to supplying the armed forces, we found ourselves, in 1945, with no civilian ceilings whatsoever, and we started to work with OPA in Birmingham, to obtain civilian ceilings upon which we could operate. If we were a new mill, this problem would have been comparatively easy. But, owing to the fact that we have been in business since 1927, and owing to the fact that military ceilings are distinctly, by regulation, precluded in the formation of civilian ceilings, it was necessary for us to go back to 1940 and 1941 for garments that we manufactured at that time and using base prices then current for our ceiling prices—a situation which you gentlemen can well see is impossible, without my further elaboration.

We started in at Birmingham with OPA in September 1945. There we were told that they were utterly helpless in aiding us with ceilings on new garments owing to the fact that we had no MAP (manufacturers average price) and we asked where we could get this. We were referred to Washington and we came to Washington and to our friend Senator Bankhead for advice and help. This was on January 21, 1946. Senator Bankhead arranged a meeting whereby our officials could confer with the proper people in OPA. We met one entire morning, January 22, and we went over our problem. At this juncture I would like to point out that practically all of our military contracts were terminated as of August 31 to 15. We had one Navy contract that was not terminated; we had one Army contract that was reinstated and we were able to operate on a curtailed basis until December 1. Since that date we have been completely shut down until the week of March 11, when we commenced to operate on a new Army contract for 50 percent wool and 50 percent cotton undershirts, on which we had a satisfactory ceiling; and on one garment of civilian goods, a ceiling that we obtained through the help of the OPA. For normal production we need ceiling prices on at least 10 to 15 items from OPA.

Before the war we made concurrently about 30 to 40 styles. We opened up the mill on these two items because our employees were in dire need of work, having been idle on either partial basis or complete shut-down for about 5 months. We normally employ 500 to 600 people and we now have employed about 200 folks. But, mind you, we have been earnestly endeavoring to obtain civilian ceilings by following the plan suggested by OPA. This plan requires us to find items manufactured by similar competitors. These items must, however, have been manufactured in the base period of March 1942 and also must meet very definite and stringent other requirements too numerous to list here. But, suffice to say we are looking for needles in a haystack. I do wish to discuss a little the serious problem that confronts and renders practically many concrete results. It is the situation brought about by MAP. First it was necessary that we have a MAP established and this was finally done by OPA. Our MAP actually is the cut-off

prices established under SO-139 and is admittedly "out of line with present-day costs."

We also endeavored to obtain a new ceiling on a garment of which we had made literally millions for the Navy. Although the naval officer in charge, Purchase Department, has offered to pay us 30 cents per garment, and although the Navy Department, to my knowledge, has paid as high as 41 cents for a similar item; and although we were asking for a ceiling price of only 29 cents, we got nowhere with our problems, and the Navy is still in dire need of this merchandise. The price at which we delivered goods to the Navy ranged from a high of 27 cents to a low and last contract of 24 cents, which was a ceiling price established under RMPR way back in 1942. We were told in Washington take this matter up with the regional office in Atlanta, in that, under PR 6 any contract for \$200,000 or less would be processed by that office. But, after 10 days of working with the OPA office in Atlanta, filing with them our financial reports all the way back to 1936, giving them cost figures and a great deal of discussion, our representatives were then informed that they, Atlanta OPA, had a special office memorandum by which all of these applications would have to go to Washington anyhow, and so the case was withdrawn from Atlanta and we came back to Washington. It was explained to us in Washington, after going over our papers, that because of an in-line pricing formula no increase could be given our present price because of the fact that our mill operated during 1945 at a profit, and the very best that could be obtained would be to grant us an increase to bring the ceiling price up to a figure that would reflect a break-even basis of operation. I was also under the impression that undoubtedly no relief would be given at all until we had operated for a period of time, say 3 months, and proved a loss. So, again I say, approximately 200 employees who would be at this time working on a Navy contract, are without work and the Navy is still without the needed merchandise.

At our meeting in January we were very plainly advised that the reason for the admittedly poor pricing condition in the underwear industry was because the knit underwear industry was called upon to make available most of its capacity to produce for the armed forces; that there was very little production available for civilian goods anyway; therefore, only a patch-quilt pattern for the knit underwear pricing is now in effect.

While I was in New York I obtained from a regular buyer this sample of a short-sleeve undershirt manufactured by a competitor and priced at \$7.25 per dozen. I present here my company's shirt that is similar—the one referred to upon which we obtained a ceiling price of \$4 per dozen. This shirt when retailed through our regular channels (the same channels that this shirt will be retailed through) will sell from 50 to 59 cents per garment. The competitor's shirt, the \$7.25-per-dozen shirt, will have to retail at from \$1 to \$1.25 per garment. I do not know whether or not the \$7.25 shirt is an OPA-sanctioned price; I do know it is being sold openly and to anyone who has the \$7.25 per dozen to pay for it. Gentlemen, I ask you where there is price control or a curb on inflation here. I do want to clearly state that I do not begrudge my competitor's ceiling price, but certainly either his price is too high or my price is too low.

To sum up the situation, it has been completely apparent to me in the hours of work and effort we have expended in trying to obtain workable ceilings that OPA, under the present rules and regulations, is not controlling prices, but it is actually controlling profits. In practically every regulation that I have become familiar with I find an attack upon profits. It is very evident that there is a strong desire throughout OPA to restrain profits. Let me refer you gentlemen again to the Navy situation where the only reason OPA would not give us a new ceiling price on the Navy shirt was because we had committed that terrible sin of having made a profit in 1945. Now by controlling profits the actual end answer is restricted production, and restricted production is one of the most impelling causes of inflation.

I have been schooled to realize that criticism is of no value lest it be constructive. The experience and knowledge gained in OPA dealings since last September—8 months past—prompts me to make the following suggestion: I would suggest that in any amendment extending the life of the OPA beyond June 30, military production be completely eliminated from OPA jurisdiction.

Mr. Baker, of the OPA, testified before the Agriculture Subcommittee that it is impossible to obtain businessmen to aid the OPA. That is not the history of the past; when this country mobilized for production to win the greatest and most devastating war of all history, businessmen rallied to the call, and I have read statement upon statement of the great contributions that businessmen made to our attaining the production that each and every one concedes was "the straw

that broke the camel's back" and buried war mongers of Germany and Japan so deep—deeper than we ever dared dream could be accomplished. If given the same opportunity, I cannot conceive in my mind of any single businessman who will not now give untiringly of his knowledge, his effort, and his ability to fight inflation. In my studied viewpoint the one and only fight that will defeat inflation and bury it with its sister warmongers is production and more production. No thinking businessman is interested in inflation even though he has been accused of it.

On or about December 10, the Navy Procurement Division requested bids for 8,000,000 undershirts, cotton, summer. To date it has been unable to obtain and place contracts on less than 2,000,000 garments. In the office of the Assistant Secretary of the Navy, only this week I was told that the underwear situation for the Navy is its most critical item and that none of these garments can be found in ship stores. It is true that renegotiation has now been eliminated, but there is still in all Army and Navy contracts the adjustment clause whereby a manufacturer of Army and Navy goods must justify his price at all times to the satisfaction of the Army and Navy Adjustment Board and, if he is overcharging, it is at the discretion of the Board to either terminate his contract or he voluntarily reduces his price to an equitable figure agreeable to both parties to the contract. And so, I suggest the following amendment:

EXHIBIT A

"Notwithstanding any provisions contained in this act, the military and naval services of the United States shall have the right to purchase supplies without restrictions by any price ceiling or any regulation of the Office of Price Administration. And no manufacturer, dealer, or supplier shall be subjected to penalty or restriction in connection with any contract or delivery of supplies to the military or naval forces of the United States."

It is time that realistic price control, with the definite objective to decontrol be made effective and I therefore submit the following:

EXHIBIT B

MEMORANDUM REGARDING IMPROVEMENT OF PRODUCTION UNDER OPA REGULATION
IN THE KNIT-UNDERWEAR INDUSTRY

It is conceded by everybody in and outside of the OPA organization that production is the required thing to whip inflation. In our estimate, the current failure of production in the knit-underwear industry (and in all other industries) is the lack of men of business experience and manufacturing experience and production experience in the OPA organization. Too many writers and statisticians and publicity men and professors sit in essential jobs in the place of men who have a production know-how. The plan specified here undertakes to cover in a simple way this terrific defect.

1. An advisory board of seven men shall be appointed. They ought to be men of character and knowledge and experience, who know the problems of production and who will be competent to get results.

2. Six men of the advisory board will be appointed by the Administrator from nominations sent in by members of the knit-underwear industry. Nominations will not be limited in number, and nominations may be made by any member of the industry. Nominations to be considered will be in the hands of the OPA Administrator by July 15 and appointments will be made by July 30.

3. One member of the advisory board will be selected from the nominations sent in by labor groups. There will be no limitation on the number of such nominations or their backgrounds, and there will be no limitation as to the type of the man nominated by any labor group. The same specifications will apply about dates of nominations and appointment.

4. The seven members appointed will choose their chairman. They will meet from time to time at the call of the chairman. They will receive an allowance of \$20 per day for time spent in travel and board conferences, plus ordinary Government expense allowances.

5. The board will have access to all records of the Office of Price Administration pertaining to the knit-underwear industry, or pertaining to any other subject related to the case of production in that industry.

6. The advisory board shall have the right to call into conference officers and employees, including the Administrator, of the Office of Price Administration.

7. After conferring with the Administrator, or his designated representative, on the subject of any problem involved in the business of increased production by the knit-underwear industry, the advisory board shall have the right to promulgate orders and regulations of general effect in the industry. The board shall have the further right, on its own motion or on the request of the Administrator or on private request, to investigate particular incidents and elements which are thought to have an effect on production in the industry; and after such investigation to determine and make regulations affecting individual producers in the industry with the intention of increasing production.

8. In the construction of the statute on this subject, it will be our intention to make the authorities of the advisory board so broad that no Administrator, because of prejudice or jealousy, could impede or limit its efforts on the ground of lack of authority.

In conclusion, the administration of the OPA must be handled in a businesslike manner and be so organized that the experience of our company can never happen again. We have been working for 8 months without any results to speak of. We have been in Atlanta, in Birmingham, and practically continuously for the last 8 weeks in Washington. Our case is discussed with Mr. Potter, Deputy Administrator, who turns us over to Mr. Baker, Pricing Administrator, who turns us over to Mr. Steve Ailes, price attorney, who in turn turns us over to Mr. Harold Gold and Mr. Russell; they, in turn, send us to Mrs. Minigerode and Mr. Weiser. Mr. Weiser seemed to have the destiny of our case in his hands, and each time, after going through the aforementioned offices, we wind up back with Mr. Weiser, who says "No." Mr. Weiser is a young man of 24 years, a graduate of City College, New York, in accountancy; he spent a short time with an accounting firm, went into the Navy, came out of the Navy, and has been with the OPA for approximately 18 months. With this great experience and background the complete destiny of our business and 600 employees rests.

(The following was presented for the record:)

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
May 11, 1946.

HON. ROBERT F. WAGNER,
*Chairman, Committee on Banking and Currency,
United States Senate, Washington, D. C.*

DEAR MR. CHAIRMAN: I have received from C. L. Henderson, president of the Vickers Petroleum Co., Wichita, Kans., an interesting statement with reference to the OPA and its control of the oil industry. Mr. Henderson makes a good report explaining in detail why the OPA control should be eliminated. I ask that the report be printed in the record.

Sincerely yours,

ARTHUR CAPPER.

THE VICKERS PETROLEUM CO., INC.,
Wichita, Kans., May 7, 1946.

HON. ARTHUR CAPPER,
Senate Building, Washington, D. C.

DEAR SENATOR CAPPER: I happen to be chairman of the National Refiners' Industry Advisory Committee to OPA and this committee, together with the National Crude Oil Industry Advisory Committee met with representatives of the OPA in Chicago on May 3 and 4. The result of the meeting is shown in the attached report which I think you will find interesting reading.

I have received a telegram from Senator Wagner, chairman of the Currency and Banking Committee inviting me to present a statement before the committee on or before Friday of this week with reference to the OPA and its control of the oil industry. The attached report explains in detail why all OPA control over the oil industry should be eliminated.

I have asked Mr. Norman L. Meyers, room 653 Shoreham Building, Fifteenth and H Streets NW., Washington 5, D. C., counsel for our committee, to present this statement before the Senate Banking and Currency Committee and I am hopeful that you will use your influence to see that it goes into the record. There may be some of the members of the committee who will not be so enthusiastic about the report because the nature of it is contrary to some of the New Deal thinking.

May I express the hope that you will do what you can to help get these controls eliminated from the oil industry.

Sincerely yours,

C. L. HENDERSON.

JOINT REPORT OF THE NATIONAL CRUDE OIL INDUSTRY ADVISORY COMMITTEE
AND THE NATIONAL REFINERS INDUSTRY ADVISORY COMMITTEE

The National Crude Oil Industry Advisory Committee and the National Refiners Industry Advisory Committee to the Office of Price Administration, meeting in joint session at the Stevens Hotel, Chicago, May 4, 1946, feel obligated to point out that the most urgent need of the petroleum industry is the restoration of an economy freed from the artifices of price control. It is our joint opinion that the average American consumer, the national economy, and the consideration of national defense will all be served best by the elimination of price controls on the petroleum industry. This position is predicated upon the firm knowledge of surplus capacities to produce in all phases of the industry which will lead inevitably to a restoration of keen competitive rivalry among various units of the industry. Competitive intensity over a period of years has been such that the index of petroleum prices as published by the Department of Labor show a decline of 63.5 percent of the base year, 1926, as compared with an index of 105.8 percent in prices generally, since the same base year. Petroleum prices were carried downward by competition notwithstanding the fact that the demand increased 126 percent during the same time period.

The economic forces that have been in operation throughout the war tending to raise the cost of finding, producing, and processing crude oil are inescapable and must be faced some time. The longer prices are kept artificially from reflecting true costs, the more difficult will be the transition when price controls are finally removed. Price controls contribute to situations of scarcity of different products, which may be used a year from now, and contribute artificial arguments for continuing controls.

Such a philosophy would involve permanent continuation of wartime controls under the guise of preventing inflation. This is not believed to represent the intent of Congress or the American people. The experience since the war demonstrates that the petroleum industry is in a position to meet demands and has attained the situation in which OPA promises to remove controls. It is our firm conviction that restoration of the benefits of a free economy can only be made available to the American public by complete decontrol. The power to bring about decontrol seems to be clearly set forth in directive No. 68, amendment No. 2, section 3, as follows:

"Sec. 3. The Price Administrator may recommend to the Economic Stabilization Director the suspension of price control with respect to any commodity or transaction, or the exemption of a commodity or transaction from price control, in any specific case, not falling within section 1 or section 2 of this directive, in which in his judgment such action is not inconsistent with the purpose of the stabilization laws."

Suspension will not accomplish desired results, as the industry will not be free to make needed modifications of petroleum prices without inviting reinstatement of price control. Suspension will maintain a sword of Damocles over the industry, preventing freedom of action in the execution of long-time plans for public well-being. Suspension of prices will but prolong the time period before the industry will be freed from price regulations. It will shift the onus of inadequate supplies of any given product necessary to meet any unusual demand from the judgment of OPA, to the oil industry. It will retard the introduction of economies resulting from technological or other improvements from being undertaken, as it may result in temporary profits above the mythical 1936-39 base period for evaluation.

Suspension will mean that some standard of measurement will continue to be applied to the oil industry to ascertain whether that industrial segment is violating realm of "reasonableness" as judged by a small group of individuals, however able they may be. What are to be the standards of measurement to be applied? What is to be the basis of judgment? Our only answer thus far has been that profits must not exceed those earned during the arbitrarily selected base years 1936-39. The fairness of this base period has never been justified as representing normal earnings for the industry and the subsequent price freezing perpetuated inequalities previously existing. The policy of tying an industry back to such a fallacious base period is a denial of the basic principles of the free enterprise system. This is the adoption of a regimentation economy which will retard exploration,

development, and research. It retards the introduction of needed economics. It halts the growth of an industry in the American economy demanding greater and greater petroleum supplies to meet an ever-expanding desire. It stops the normal or customary return on added investment necessary to serve this growing market.

It is our joint recommendation, therefore, that the Office of Price Administration, the Office of Economic Stabilization, place on the oil industry its full responsibility of meeting the requirements of the American consuming public. Give the industry the freedom to work out those problems without the shackles of governmental price control and it is our firm belief that it will find ways and means in the future, as in the past, of supplying the entire petroleum market at price levels which will continue to be lower than those reflected by the index of prices generally as published by the Department of Labor.

Having clarified our position in this respect, we hereinafter submit our best thinking concerning specific questions put to the committee by representatives of the Office of Price Administration. The answers to the following question are believed to be equally applicable whether price control be eliminated temporarily or permanently. They are submitted as a cooperative effort on the part of the committees and represent, in the main, a reiteration of opinions previously presented to OPA.

Question 1. How does total demand, present and anticipated, compare with actual and potential crude oil production and refinery capacity?

Answer 1. The petroleum industry in the United States produced 4,688,000 barrels daily of crude oil in 1945. The demand for domestic crude oil according to authoritative estimates by various sources will be 4,400,000-4,500,000 barrels daily in 1946. The Bureau of Mines has estimated the demand for crude oil from Texas to be 2,030,000 barrels daily in May, whereas the maximum efficient rate of production for the State, determined by the Petroleum Administration for War, is 2,121,000 barrels daily. Surpluses exist in other States also. This is evidence of excess productive capacity.

The record of production in relation to estimated demand shows that there is no reason to believe the States will fix production at a level below current consumption. It must be recalled that prices for crude oil decreased as well as increased prior to the war under similar State efforts to control production so as to eliminate waste.

Statistics are shown on the following page and on the attached chart, by years since 1937, to demonstrate that production for the United States and Texas has been very close to the estimate of demand issued by the Bureau of Mines and by the Petroleum Administration during the war. To demonstrate the accuracy of State regulatory agencies, for example, in the first 4 months of 1946, Texas' production of 1,994,000 barrels daily exceeded the Bureau of Mines' estimate of demand by 37,000 barrels daily. It is reasonable to expect that the industry will endeavor to meet all demands in order to satisfy its customers and that the regulatory agencies will continue, as they have for years, to fix allowables in relation to demand. The comparison of production with the demand estimated by Government agencies is shown in thousands of barrels daily.

	United States			Texas		
	Estimated demand	Actual production	Production above estimate	Estimated demand	Actual production	Production above estimate
1937.....	3,344	3,505	161	1,328	1,398	60
1938.....	3,383	3,326	-56	1,354	1,304	-50
1939.....	3,463	3,466	3	1,403	1,325	-78
1940.....	3,583	3,697	114	1,333	1,348	15
1941.....	3,849	3,842	-7	1,372	1,385	13
1942.....	3,694	3,799	105	1,229	1,324	95
1943.....	4,123	4,125	2	1,598	1,628	30
1944.....	4,582	4,584	2	2,022	2,044	22
1945.....	4,771	4,688	-83	2,090	2,070	-20
1946-January.....	4,500	4,625	125	1,950	2,037	87
February.....	4,430	4,695	265	1,890	2,100	210
March.....	4,450	4,405	-45	1,910	1,800	-100
April.....	4,620	4,675	55	2,080	2,040	-40
4 months.....	4,500	4,600	100	1,957	1,994	37

There is in the United States economically situated refining capacity of approximately 4,900,000 barrels daily. In relation to the expected requirements of 4,400,000 to 4,500,000 barrels daily for 1946, there is, therefore, a surplus of refinery capacity under both present and anticipated requirements throughout 1946.

Question 2. How does individual product demand, present and anticipated, compare with refinery capacity on each product; or, in other words, is refinery flexibility sufficient to meet demand for the individual products?

Answer 2. There is ample historical evidence, based on experience during the war, when relative all-time peak product demands varied over wide ranges, to demonstrate that sufficient refinery flexibility exists to meet all anticipated individual product demands. Even if residual fuel oil demands should increase materially above the present level, such increase could be physically met by the diversion of actual or potential supplies of gas oil or distillate fuel, to residual fuel.

Question 3. What is the probable reaction of crude-oil prices with suspension of price control on crude oil and products?

Answer 3. The trend of petroleum prices in relation to other commodities is shown in the attached chart. Crude oil prices, even after the 10-cent advance recently authorized by OPA, are still only about 10 percent above the level for 1937, whereas the average wholesale price of all commodities is now 25 percent higher and the average price of raw materials is 40 percent higher. Taking into consideration the increase in average hourly earnings of labor in the petroleum industry of about 63 percent since the base period 1936-39 as presented in our letter of February 25, 1946 (an increase of 52.2 cents per hour), and further taking into consideration increases in all other materials and supplies averaging from 15 to 25 percent, we feel that the average price of crude oil could advance at least 25 cents per barrel as recommended by the Petroleum Administration for War, several congressional committees and your advisory committee, and would still be well within the pattern of price increases already established for practically all other basic raw materials.

While crude-oil productive capacity is more than adequate to meet the foreseeable demand for 1946, new reserves must be continually discovered in volume at least equal to the current production. Therefore, it must be recognized that in the long run the petroleum prices must necessarily reflect increased replacement costs.

Question 4. What will be the probable result as to refined product prices in general, and as to specific products, of a given increase in crude oil prices, taking into consideration the increases that have already occurred in crude oil and other refinery costs?

Answer 4. Since 1941, as of the time when price ceilings were established, it is estimated that over-all refinery operating expenses, as a result of higher costs of labor and of practically all other items, have increased in the order of 15 to 20 cents per barrel of crude oil runs. Since that time also the average well price of crude oil paid by refiners has advanced by an average of approximately 16 cents a barrel representing various individual increases and the recent general increase of 10 cents a barrel. Thus, raw material and operating costs have increased by a total amount in the order of 31 to 36 cents a barrel or an average of approximately 33 cents.

Against this, since price ceilings were established, certain ceiling price increases notably on fuel oils, have been authorized by the OPA on refined products, the aggregate of such increases being estimated to be equivalent on the average to about 12 cents per barrel of crude-oil run. This leaves a net increase in costs of about 21 cents per barrel of crude oil that has not yet been reflected in increased product price ceilings. To recover this out of the salable products, representing about 38 gallons which can be made from a barrel of crude, would require an average increase of a little over half a cent per gallon of such refined products.

If now ceiling prices were lifted on both crude oil and products, and crude oil prices were to advance further, what would be the reasonable expectation with respect to refined product prices?

The Refiners Advisory Committee has heretofore pointed out that the profit margins for refining have not been sufficient to permit the refining branch of the industry to absorb any substantial crude oil or other cost increases, especially in view of the probable high level of future plant replacement costs with which refiners are faced. There will undoubtedly be times when the price of some particular product will be "soft" as gasoline is at present (due in large part, we believe, to the inflexibility of frozen prices at an earlier date), but the refining branch of the industry is to be self-sustaining and is to permit the continued existence of an independent refining segment of the industry, then not only must

presently unrecovered cost increases be recovered, but likewise future increases must be recovered.

For each 10 cents per barrel increase in crude-oil prices there must be an average increase in refined product prices of at least one-quarter cent per gallon. Ordinarily, some of the products resulting from refining are "byproducts" which must be sold for whatever they will bring in competition with other fuels. For such products it may be impossible to obtain any increase in price regardless of increased crude oil or other costs.

For some other products the demand and competitive factors may permit some increase, but not the full amount. Therefore, other primary products would have to increase by a greater amount, perhaps a half cent or more per gallon in order to make up the total of 10 cents per barrel of crude.

Except in a superficial and short-run sense, there is only one set of supply and demand factors in the oil industry, the supply of crude and the demand for products. There is no material public demand for crude oil as such; therefore, it must derive its economic value from the products into which it can be made.

If, therefore, ceiling prices are suspended and a free market restored with no abnormal factors present, refined-product prices generally should be expected to move up in response to net increases in refinery operating costs and in full response to the same economic factors of supply and demand which, in a free market, might result in increased crude oil prices.

As already stated, it would not be likely that the prices of all products would rise by the same amount, not only because of competitive fuels, but also because the degree of necessary refining varies considerably for different products and, as has been pointed out elsewhere, there is considerable variation, on account of seasonal and other factors, in the demand, from time to time, for each of the particular products and, therefore, their prices in relationship to each other would tend to vary. As has already been pointed out, however, there is ample refining capacity, not only to make the over-all total of products required, but to make the full requirements of each of the individual products. It would not be likely, therefore, that the price differentials between the various products would vary materially from those that have existed in the past under similar conditions.

The only exception to this would be in the case of some abnormal factor, such as a sudden large increase in military requirements of some particular product or a drastic decrease in the supply of some competitive fuel such, for example, as might result from a prolongation of the present coal strike. It is believed, however, that any unusual increase in any specific product price arising from such abnormal factors could be dealt with as a special problem when and if it arose, and certainly it would be unreasonable to withhold or postpone removal of price ceilings for the industry as a whole merely because of the possibility of some such special factors developing.

Question 5. What would the probable effect be of suspension on individual products by areas in correcting present maladjusted prices of products?

Answer 5. Unquestionably, some adjustments in prices would occur with products which for one reason or another are currently maladjusted. These in our opinion would neither occur nor spread nationally, nor would any substantial percentage of the national production be involved. Nor evocation of a suspension order should occur due to the correction of these maladjustments since they would not be of an inflationary character, and would simply tend to restore normal economic relationships.

Question 6. If ceiling prices are suspended, what will be the probable effect on retail and dealer prices of the various refined products, giving consideration to changes in various marketing costs?

Answer 6. Both retail and wholesale marketing costs have increased as a result of the higher costs of labor and of practically all other items entering into the distribution of petroleum products. There have been some factors at work in the opposite direction also, such as a higher proportion of direct deliveries from refineries or terminals to retail outlets, sales of other lines of merchandise, etc., but there appears to be little doubt that, in the net, marketing costs have undergone an increase. The question then is whether, if ceilings are suspended, will wholesale and retail marketing margins increase so as to result in a greater increase in dealer and retail prices than in refinery prices? We believe it can be said on this subject that any such increase would not in any event be greater than the actual increase in operating costs, because the field of marketing is a highly competitive one and, in the case of gasoline, the smaller number of automobiles now in use as compared to 1941 makes it highly probable that such competition can be expected to continue on an intensive basis for a long time in the future.

To summarize, it is the conclusion of the committee that while marketing margins may increase slightly, reflecting higher costs, such increases in margins on gasoline and the other leading products would be in the order of a relatively small fraction of a cent per gallon.

Question 7. If, after the removal of all price controls on crude and products, residual fuel oil demand should exceed normal refinery by product fuel oil production and necessitate the addition of gas oil to residual fuel oil so that fuel oil prices rose to an abnormal level above present ceilings, would you favor the imposition of a flexible price control on fuel oil which would compensate the refiner for the cost of the gas oil necessarily added; for example, some arrangement whereby price advances would be granted to the individual refiners supplying the marginal high cost fuel oil or the differential gravity price scale for fuel oil used during the war?

Answer 7. While the committee is in favor of removal of price controls on all products, if, during the existence of price controls by law as affecting the oil industry, the above supply-and-demand situation on heavy fuel oil should materialize, it feels that imposition of controls as described on fuel oil alone, leaving crude and other product prices unrestricted, could be considered on its merits when and if that time came.

OFFICE OF ECONOMIC STABILIZATION,
Washington, D. C., May 9, 1946.

HON. ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Senate Office Building, Washington D. C.

DEAR SENATOR WAGNER: In the course of my testimony before the Senate Banking and Currency Committee on April 15, Senator Taft asked one question which I should like to answer in writing for the record, because it involves a basic issue which should be cleared up.

Senator Taft pointed to the facts that since August 1939 average hourly earnings in manufacturing have increased 61 percent and consumer prices only 34 percent. He maintained that labor productivity has not increased since 1939, that labor cost per unit of output must therefore also have arisen 61 percent, and asked whether this did not conclusively show a need for substantial price increases all along the line.

My answer was that it did not. I should like to explain more fully the reason for this answer.

Let me first examine the logic of Senator Taft's reasoning and then turn to the significance of the figures which he used to make his point.

Senator Taft's line of reasoning is apparently that prices must rise in the same proportion as does labor cost. I disagree, not because of any desire to squeeze profits—I have no such desire—but because it is a mistake to assume that profits are necessarily squeezed when prices rise less than in proportion to labor costs.

First, since wage costs are only one of the elements in total costs, a given percentage rise in wage costs does not need to be balanced by an equal percentage rise in prices in order to preserve profit margins. In 1939, for instance, wages represented about 50 percent of the total gross value added by manufacturing industries, i. e., of the margin between sales receipts and materials purchased. Prices would therefore need to rise only by half of the percentage rise in wage costs to maintain unchanged the dollar profit per unit of output, even assuming no increase in output per man-hour and no increase in volume. This is illustrated by the following example, showing the percentage change in prices necessary to maintain profit per unit after wages, which were originally 50 percent of gross value added, have doubled and output is unchanged:

	Before change	After change	Percent change
Price.....	\$15.00	\$22.50	+50
Material cost per unit.....	5.00	7.50	+50
Gross value added per unit.....	10.00	15.00	+50
Labor cost per unit.....	5.00	10.00	+100
Overhead costs per unit.....	3.00	3.00	-----
Profit per unit.....	2.00	2.00	-----

Although labor cost has risen 100 percent in this example, prices had to rise only 50 percent in order to maintain profit per unit of output unchanged, even though total output did not increase.

Second, reduction in other costs may offset wage-cost increases. For example, if output increases, as it did during the war, overhead costs per unit of output decline. Prices can, therefore, rise by less than half the percentage rise in wage costs and still yield a rising dollar profit margin per unit of output, still assuming no increase in output per man-hour. This is illustrated by the following example, in which labor costs are again 50 percent of gross value added before any changes occur, but in which the physical volume of sales doubles:

	Before changes		After changes		Percent change on per unit basis
	Total	Per unit	Total	Per unit	
Volume in units.....	1,000		2,000		
Value of product.....	\$15,000	\$15.00	\$42,000	\$21.00	+40
Material costs.....	5,000	5.00	14,000	7.00	+40
Gross value added.....	10,000	10.00	28,000	14.00	+40
Labor cost.....	5,000	5.00	20,000	10.00	+100
Overhead costs.....	3,000	3.00	3,000	1.50	-50
Profit.....	2,000	2.00	5,000	2.50	+25

Although labor cost has risen 100 percent and price by only 40 percent, profits per unit of output have actually risen because overhead costs have been spread over a larger volume.

Finally, even if the profit margin per unit of output declines, total profits may still be very much higher as a result of the much higher production levels.

Data for the prewar period, before we had any price or wage controls, clearly show that prices need not rise proportionately to increases in average hourly earnings to permit great increases in profits. From 1933 to 1940, in a free market, average hourly earnings in manufacturing rose 50 percent, while the consumer price index rose only 8 percent and wholesale prices of manufactured products rose only 16 percent. These figures are exactly comparable to those used by Senator Taft, and, if his reasoning were correct, profits in manufacturing would have declined from 1933 to 1940. Actually they rose from \$843,000,000 in 1933 to over \$5,600,000,000 in 1940. This is shown in the following figures:

	1933	1940	Percent increase
Average hourly earnings in manufacturing.....cents.....	44.2	66.1	50
Cost of living (1933-39=100).....	92.4	100.2	8
Wholesale prices of manufactured products (1926=100).....	70.5	81.6	16
Corporate profits before taxes, manufacturing corporations.....million dollars.....	843	5,608	565

While it is true that output per man-hour increased during these years, that fact alone does not account for the more than sixfold increase of profits. The decline in other costs per unit of output and the other consequences of rising volume account for a substantial part of the increase.

Our experience since 1939 has been equally striking. Despite the fact that average hourly earnings rose more than did prices, revised Department of Commerce data released in the last few days which take into account acceleration of amortization charges after VJ-day, show that profits before taxes per dollar of corporate sales increased by about 60 percent from 1939 to 1945. Since prices have increased between 1939 and 1945 profits per unit of physical output must have risen more. The rate of return on net worth also more than doubled since 1939. Aggregate dollar profits before taxes more than tripled from 1939 to 1945. Even after taxes the increase amounted to 87 percent. Obviously, then, the increase in average hourly earnings did not occur at the expense of profits.

If we break down the unrevised figures for gross value added in manufacturing into salaries and wages, other costs and profits, all on a man-hour basis, we can see clearly how this was possible. Although wages and salaries per man-hour increased about 59 percent from 1939 to 1945, the 46 percent increase in value

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 1831

added per man-hour was larger, in dollars and cents, than the increase in wages and salaries per man-hour. The difference was added to profits. Further additions to profits resulted from the decrease in other production costs per man-hour—such as depreciation, interest, etc. The net result is that profits per man-hour rose not only in dollars but as a percentage of the total value added. This is shown in the following table:

	Dollars per man-hour		Change from 1939 to 1945	
	1939	1945	Cents per man-hour	Percent
Gross value added.....	1.183	1.729	+0.546	+46
Wages and salaries.....	.694	1.101	+ .407	+59
Other costs.....	.305	.246	- .059	-19
Corporate profits before taxes and entrepreneurial income.....	.184	.382	+ .198	+108

Thus we see that the price and volume increases since 1939, taken together, have more than covered the increases in hourly earnings.

Aside from the error in general reasoning, it is necessary to call attention to at least two major factors which impair the validity and usefulness of the data which Senator Taft used for the present problem.

First, the data on average hourly earnings and prices presented are not comparable for technical reasons.

The two indexes are both averages of a large number of separate increases, but they are not the same kind of averages. The price index is an average of the prices for a practically unvarying collection of goods and services. The things that go into the average are present in pretty much the same proportions from one period to the next.

This is not true of the figures for average hourly earnings. That average is constructed to show for each month what workers employed in manufacturing are actually earning. In arriving at the over-all average each industry and each occupational skill is given the importance that it actually has in the month for which the average is taken, not the importance it had in some base period.

The result is that this average is influenced not only by the changes in hourly earnings that have occurred in particular industries and particular skills but also by changes in the relative importance of industries and skills that have different levels of hourly earnings. It is well known that during the war the heavy industries and the higher skills in which earnings were high, became a much larger proportion of the total than they were in 1939, while industries and skills in which hourly earnings were lower became relatively less important. Indeed, if hourly earnings of labor had not changed by 1 cent in any single industry or skill the average would have risen.

This shift of employment from low- to high-paying industries and skills accounts for a substantial part of the 61-percent increase in average hourly earnings. This part would have to be eliminated before we could make a fair comparison between average hourly earnings and prices.

Second, and even more basic, a comparison of these two figures, taken alone, even if they were technically comparable, does not take into account increases in productivity since 1939. Senator Taft recognizes this, but maintains that the only indexes of productivity he has been able to find indicate that there has been no increase in productivity since 1939. I assume Senator Taft was referring to BLS data on the output per man-hour in 24 selected nonmunitions manufacturing industries.

It should be pointed out, however, in the words of Mr. W. D. Evans, Chief of the BLS Productivity and Technological Development Division, who is the Government specialist in these matters and who is responsible for these data, that "this index does not represent, and is not intended to represent, all manufacturing or all civilian product manufacturing."¹ War-goods industries could not be included in the summary figure because of the noncomparability but it is clear that productivity in many of the most important ones, such as aircraft manufacturing, increased very greatly during the war.

The 24 nonmunitions industries are the ones which operated under the greatest handicaps during the war. The fact is that even in these industries output per

¹ Speech delivered to the annual meeting of the American Statistical Association in Cleveland on January 25, 1946.

man-hour in 1944 was 3 percent above the 1939 level. From 1939 to 1941 it increased 7 percent, then declined until 1944. If we look at the individual series we see that many of the industries in which man-hour output declined were industries in which total volume also declined. They are clearly not representative of manufacturing industries as a whole.

As Mr. Evans says:

"The most important single explanation of these movements (i. e., in these 24 industries) is the fact that the kind of technical progress which took place year after year in peacetime was completely impossible during the war. Any ambitious plans to introduce new processes or fundamentally different types of machines had to be shelved for the duration. As a matter of fact, manufacturers of goods destined largely for civilian use had trouble enough obtaining equipment needed for replacement. Thus, the normal improvement of plant, equipment, and process was interrupted because of wartime restrictions.

"There were numerous other difficulties, too. Experienced workers moved out of the civilian industries into the armed forces or war industries. Industries producing goods for civilian use had last call on available replacements. The wage-stabilization program made it difficult for these industries to compete with the war industries for labor. In some fields, there were actual restrictions on the amounts which could be produced.

"Most companies were bothered by shortages of materials, and many of them had to improvise, as best they could, with substitutes of various kinds. In many cases there were rapid changes from month to month in the availability of materials, and production fluctuated accordingly. Where this occurred, it was obviously impossible to organize the production process on a stable, efficient basis.

"It is important to note that large declines in productivity occurred in industries where production also fell substantially. The cement industry is an example. Output per man-hour continued to increase through the year 1942, as production expanded. After the bulk of war construction was completed, cement production dropped sharply, and with it productivity. By 1944, output was only half as great as it had been in 1942, and output per man-hour was 20 percent lower than in 1942.

"I might also mention other factors—long hours, unsatisfactory housing conditions, and inadequate transportation in many industrial centers, the nervous tensions induced by anxiety over family members in dangerous service.

"Under these circumstances, the maintenance of productivity levels was an astonishing performance. A decline was certain unless management and labor did a better and better job with the resources at their disposal. The records show that they did."

Data that have become available since Mr. Evans made his speech show that even in these industries output per man-hour began to rise again in 1945.

It is clear that during the war the phenomenal increase in output and the substantial increase in productivity in manufacturing as a whole yielded extremely high profits despite the fact that prices rose less than did average hourly earnings.

The important question is whether these figures merely reflect the past or mirror the future. All the facts at my disposal indicate that the current favorable profit position can be expected to continue, even if the present price level is maintained. This is so because all indications point to both a peak volume of peacetime production with resulting savings in unit overhead and sales costs as well as to a significant increase in output per man-hour in civilian production in the next few years.

Mr. Evans presented the prospects for increased productivity in his speech as follows:

"Many of the special wartime operating difficulties are already disappearing rapidly. Within a few months, materials and labor will generally be available in satisfactory supply and there should be few persistent problems. Some increases in productivity from the wartime levels should, therefore, be forthcoming almost immediately. A longer period will be needed to compensate fully for the postponement of installations of new equipment.

"It seems fairly certain, however, that over the next 3 or 4 years there will be unusually large investment in new plant and equipment. This factor will tend to raise productivity rapidly even if the new machines are not fundamentally different from the best types which were in use before the war. Industrial equipment generally has a long life, and the average age of the machine in use in our industries is fairly high.

"Much of the equipment now in operation has become overdue for replacement during the war years. The volume of business in prospect for the coming period

as well as the financial resources of manufacturing concerns will permit extensive installation of new manufacturing machinery.

"There is another group of industries which should be mentioned, those which were converted to war production. The reason for conversion was usually a kinship between the peacetime products of the industry and the items needed for war purposes. Precisely for this reason new methods developed during the war and new equipment installed should find use especially rapidly in civilian production. The closer the kinship, the more directly should experience gained since 1941 prove of particular advantage. After initial readjustment, many of these industries should reenter civilian production at productivity levels above prewar peaks.

"Perhaps it is in order to add a work of caution concerning any statements or statistics on productivity in the reconverted industries which may be made within the next few months. Until full capacity operations are reached, a large amount of labor will be needed without any corresponding large output of finished goods. No comparisons should properly be made with prewar performance in these industries until normal utilization of productive capacity is attained.

"In general then, increasing productivity is in prospect for most manufacturing industries in the next several years. For manufacturing as a whole, average output per man-hour is likely to increase as much as one-third before 1950. As I have already suggested, part of the expected increase will come from the application to peacetime production of new techniques developed in the war industries. But I want to emphasize that an increase in productivity would occur even if no wartime developments were applied in postwar industry. Replacement of overage facilities with new equipment of a type already available in 1939 would alone account for a considerable rise in productivity during the coming years. Of course, we expect most new equipment to be better."

Past experience supports Mr. Evans' expectations. Over a long period of years we have experienced an increase of slightly above 3 percent a year in output per man-hour in manufacturing. During the last war, from 1914 to 1919, output per man-hour diminished, yet all the ground lost was made up in the 3 years from 1919 to 1922, when output per man-hour in manufacturing increased 30 percent. There is every reason to believe that we shall experience a similar development this time.

In conclusion, I think I can point out the difference of opinion between Senator Taft and myself most clearly, by indicating what would actually happen if we followed Senator Taft's advice. If we increased prices only 10 percent the value of private production would be increased by \$15,000,000,000.

Taking out the share that would go to the farmer, on the assumption that his prices also rose 10 percent, and assuming that wages and salaries were held at present levels, as Senator Taft contemplates, the net increase in profits of non-agricultural business would be about \$13,000,000,000. About \$8,000,000,000 of this would go to corporations, bringing total profits before taxes to about \$24,000,000,000, as compared with the wartime peak of \$24,900,000,000.

Under the reduced tax rates now prevailing, profits after taxes would be about 50 percent higher than the record 1943 figure. If prices were increased 20 percent to bring their increase up to that of hourly earnings, as I understand Senator Taft to recommend, total corporate profits of nonagricultural business would, on the same assumptions, amount to the fabulous figure of about \$32,000,000,000 before taxes and about \$20,000,000,000 after taxes.

These estimates are based on unrevised figures for the fourth quarter of 1945. They do not take into account the rise of average hourly earnings that will occur after the fourth quarter. On the other hand, several transitional factors temporarily depressed the fourth-quarter profits figures and to this extent the above figures of profits after a price rise are an understatement. Furthermore, the estimates take no account of the increases in productivity which will certainly occur.

Certainly everybody agrees that business must be able to earn good profits if our economy is to operate at a high level. The incentive to expand plant and equipment depends on the expectation of earning good profits. Without large capital expenditures of this type we could not maintain the high production and employment which we are determined to maintain in the future. In an economy operating at far higher than prewar levels, the prewar profits of many industries would certainly be inadequate.

But it is also possible for prices and profits to be excessive. At some point they may reach such a level that capital expenditures are overdone. At the same time consumer buying is slowed up by the higher prices with the result that plant and equipment may be temporarily overbuilt in relation to what consumers can afford to buy. That means the tempo of such capital expenditures cannot be main-

tained, which in turn means instability and depression. The result would be just as unfavorable for profits as for other elements in the economy. We need to maintain a balance between consumption and additions to capital equipment and a balance between prices and wages.

¶ On the whole, I believe my estimates of the effects of Senator Taft's recommendations are conservative. I think they clearly involve excessive prices and profit margins. I for one would not welcome the task of defending before the people of this country a decision to depreciate their incomes and savings by a 10- or 20-percent price rise for the purpose of boosting profits to these levels.

Sincerely,

CHESTER BOWLES, *Director.*

The CHAIRMAN. The hearings are closed, and we will meet on Monday to determine our procedure from now on.

(Whereupon, at 6:02 p. m., the hearings were closed.)

APPENDIX I

NATIONAL ASSOCIATION OF REAL ESTATE BOARDS,
REALTORS' WASHINGTON COMMITTEE,
Washington 6, D. C., May 13, 1946.

HON. ROBERT F. WAGNER,
Senate Office Building, Washington, D. C.

DEAR SENATOR WAGNER: On May 2 James C. Downs, Jr., appeared before the Senate Banking and Currency Committee on behalf of the National Association of Real Estate Boards, but more particularly on behalf of the millions of small property owners in the United States.

Mr. Downs used several charts, copies of which are enclosed with this letter, to illustrate his points. He also introduced an amendment, a copy of which is enclosed, which would permit a property owner an adjustment in his rents not exceeding 10 percent, based on a comparison, dollar for dollar, of increased operating costs, taxes, and deferred maintenance and replacement. This amendment would permit the property owner to file with OPA a new schedule of rents which would show his increased costs. The new schedule would automatically become effective after 60 days unless OPA proved that the increased costs as represented were untrue.

We wish to state at this point that we are not recommending the removal of price control.

The present hardship amendment to the Emergency Price Control Act has been interpreted by OPA through a formula which requires the property owner to show that his increased costs have exceeded his gross rental income by at least 5 percent. We feel that it was the intent of Congress in the first place to provide for hardship adjustments, and certainly this unfair interpretation by OPA does not carry out that intent.

It is probable that the printed hearings held before the Senate Banking and Currency Committee on extension of the Price Control Act will be so voluminous that this particular amendment might well be lost in the maze of printed words. It is for that reason that we are attaching hereto a copy of the amendment, the charts Mr. Downs used, and a brief interpretation of the charts.

The property owners of the Nation have not had the two successful techniques used by industry and labor; namely, (1) failure to produce; and (2) the right to strike. The property owner and taxpayer must depend upon the Congress to spell out in definite terms what OPA shall do to provide for the relief of carrying the burden of increased operating costs, taxes, and deferred maintenance for at least 3 years.

Cordially yours,

CALVIN K. SNYDER, *Secretary.*

ANALYSIS OF CHARTS PRESENTED BY MR. DOWNS, ON BEHALF OF NATIONAL ASSOCIATION OF REAL ESTATE BOARDS, BEFORE SENATE BANKING AND CURRENCY COMMITTEE, MAY 2, 1946

Chart No. 1 shows that the cost of living has increased in excess of 30 percent, whereas rents have increased only 4 percent since 1939. This in effect means that the small property owners have actually subsidized the cost of living, whereas if rent had gone up as much as food and clothing, it is reasonable to assume that the cost of living would have increased as much as 50 percent. The figures used in the chart are based upon Bureau of Standard statistics.

Hence, the small property owner receiving a 1942 dollar must purchase a 1946 service with this dollar, at an obvious disadvantage. It is also a fact that owners of real estate who have not obtained relief, due to OPA interpretations, have sold their homes because their position in the economy of the country has been reduced and they cannot afford to carry their investment into greater figures of loss. Consequently, thousands of veterans looking for homes are forced to purchase

when they prefer to rent. One of the real needs of the Nation today is to get rental housing back on the market. A rent increase will greatly assist in doing it.

Chart No. 2 shows the national asset in housing. It is an asset which must be preserved.

Chart No. 3 shows the division of ownership of rented dwellings and indicates that 78.1 percent of rented dwelling units are owned by the small property owner.

Chart No. 4 proves that the general assertion that increased occupancy has made up for increased operating costs—with 41 percent of the Nation's rented dwelling units (6,763,881 as of 1940) one-family houses—is a fallacy. Chart No. 4 also reveals that there has been no increased occupancy for the owners of these properties. They must have a rental increase to offset their losses.

Chart No. 5 is practically self-explanatory. It shows the increased costs that the small property owner must absorb, although he cannot obtain relief from OPA to cover these costs. This is the purpose of our amendment.

Chart No. 6 gives you an indication of the increased earnings of nine different industries, while the increased earnings of 20 percent of the Nation's economy—that represented by real estate—are held to 4 percent since 1939. It is our contention that a modest adjustment in rentals, therefore, would not be inflationary and that it would take the millions of small property owners out of the category of subsidizing the present cost of living.

Chart No. 7 indicates what a 5 percent increase would mean to the Nation's tenants.

Chart No. 8 tells the story for an increase of 10 percent.

PROPOSED AMENDMENT TO H. R. 6042 IN THE SENATE

On page 6, line 17, strike out "Section 5" and insert "Section 5A"; and at the end of section 5 insert a new subsection as follows:

"(B) Any regulation or order under this section may be established in such form and manner, may contain such classifications and differentiations, and may provide for such adjustments and reasonable exceptions, as in the judgment of the Administrator are necessary or proper in order to effectuate the purposes of this Act. Under regulations to be prescribed by the Administrator, he shall provide for the making of individual adjustments in those classes of cases where the rent on the maximum rent date for any housing accommodations is, due to peculiar circumstances, substantially higher or lower than the rents generally prevailing in the defense-rental area for comparable housing accommodations, and in those classes of cases where substantial hardship has resulted since the maximum rent date from a substantial and unavoidable increase in property taxes or operating costs. Any regulation or order under this section which establishes a maximum price or maximum rent may provide for a maximum price or maximum rent below the price or prices prevailing for the commodity or commodities, or below the rent or rents prevailing for the defense-area housing accommodations, at the time of the issuance of such regulation or order. The owner of any housing accommodations with respect to which a maximum price or maximum rent has been established by any regulation or order under this section may, at any time after the date of approval of this amendment, file with the Office of Price Administration a statement of the property taxes and operating costs in connection with such housing accommodations, showing the actual amount of increase, if any, in such taxes and costs, between the maximum rent date for such housing accommodations and the date of filing such statement, on a monthly basis, and may file at the same time or at any time thereafter a new rent schedule for such housing accommodations, to become effective at the beginning of the first rental period following the expiration of 60 days from the time of its filing, which new rent schedule may provide for rent increases not exceeding in amount the increase in property taxes and operating costs (including a reserve for deferred maintenance and replacements) shown by such statement, and not exceeding in percentage 10 per centum of the maximum rents for such housing accommodations in effect at the time of filing such new rent schedule. Statements of property taxes and operating costs filed hereunder shall be supported by oath or affirmation of the property owner filing same. Any new rent schedule filed pursuant to this subsection shall become effective according to its terms unless, prior to the expiration of sixty days from the date of filing of such new rent schedule, the Administrator shall issue an order suspending the effectiveness of such new rent schedule on the ground that the statement upon which it is based is false or in error in one or more major particulars."

NATIONAL ASSOCIATION OF REAL ESTATE BOARDS,
REALTORS' WASHINGTON COMMITTEE,
Washington 6, D. C., May 2, 1946.

HON. ROBERT F. WAGNER,
United States Senate, Washington, D. C.

DEAR SIR: In support of the testimony given May 2 by James C. Downs, Jr., on behalf of the National Association of Real Estate Boards, I respectfully submit a copy of the amendment he proposed.

This amendment, you will note, merely spells out what Congress last year stated it wanted the Price Control Administrator to do relative to giving relief to property owners where increased operating costs, taxes, and deferred maintenance and replacement were working a hardship. This amendment, we believe, is fair. It provides that the property owner may file a new schedule of rents, returning to the owner dollar for dollar the amount of his increased costs in operation of his property. Where a property owner has not expended moneys in the upkeep of his property there would be no increase. Any increase would be limited to 10 percent.

All of us realize that the 1942 dollar would buy considerably more than the 1946 dollar. The property owner still receives a 1942 dollar in rents but has to pay 1946 dollars in wages and prices for materials, such as paints, wallpaper, plumbing repairs, etc.

We sincerely hope that this amendment, presented on behalf of the millions of small property owners in this country, will receive your favorable attention.

Cordially yours,

CALVIN K. SNYDER, *Secretary.*

Enclosure.

NATIONAL ASSOCIATION OF MANUFACTURERS,
New York 20, N. Y., May 7, 1946.

Senator ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR WAGNER: During my appearance as president of the National Association of Manufacturers before the Senate Banking and Currency Committee, I was requested to submit further comments upon the press release on production issued by the Federal Reserve Board, and to give further details on our survey of the effects of OPA upon production. Attached is this additional information.

If there is any additional data that the committee would like for us to submit we shall be happy to comply to the best of our ability.

Sincerely yours,

ROBERT WASON, *President.*

Enclosure

SUPPLEMENTARY STATEMENT OF ROBERT WASON, PRESIDENT OF THE NATIONAL ASSOCIATION OF MANUFACTURERS, ON THE NATIONAL INDUSTRIAL COUNCIL COAST TO COAST SPOT SURVEY OF THE EFFECTS OF PRICE CONTROL, MAY 2, 1946

The National Industrial Council, affiliated with the National Association of Manufacturers, embraces 320 industrial associations, with representation from every industrial section of the country.

In January and February 1946 the National Industrial Council working through State and local affiliates undertook a coast-to-coast spot survey of the effects of price control. The council forwarded to various affiliates suggestions for a questionnaire on OPA procedures and results. By the middle of March a substantial number of replies to a consistent set of questions had been received by the council from 17 State and local associations in 17 different areas reaching from western Massachusetts to Portland, Oreg. These 17 sets of replies were combined by the NAM research department into a total representing the experience of 722 companies with OPA procedures.

The 17 areas included Philadelphia and Pittsburgh, Pa.; Detroit, Mich.; Peoria, Chicago Heights, and Rockford, Ill.; Columbus, Ohio; St. Paul, Minn.; Portland, Oreg.; the area around Utica, N. Y.; Burkes County, Pa.; Worcester, Mass., and western Massachusetts; and the entire States of Wisconsin, Missouri, and Connecticut.

A total of 174 additional companies in the State of Indiana turned in replies to an extensive set of questions originated by the Associated Industries of Indiana. This set of questions could not be included in the coast-to-coast tabulation,

because the local sponsors of that questionnaire used a different set of questions. However, the Indiana survey corresponded with the coast-to-coast survey in two respects. It revealed that 65 percent of the 174 companies in Indiana (5 percent more than the coast-to-coast average) had been forced by OPA price ceilings to drop certain types of goods. The Indiana survey showed further that there was a real demand for the abandoned products, but that OPA prices on such goods forced them to sell at a loss or not at all.

In order to abate any fear of reprisal, it was necessary to assure individual manufacturers, when the questionnaires were sent out, that their identity would not be made known. Nevertheless, a number of individual manufacturers and various official representatives of State and local associations have testified for the record in various hearings in Washington in recent months in connection with OPA and price-control problems.

WHAT THE QUESTIONNAIRES REVEALED

The results of this coast-to-coast survey covering 722 companies of various sizes showed that OPA rulings have forced 60 percent of these companies to abandon production of certain goods, for which there is strong public demand. The questions bringing out this phase of the problem, and the resulting tallies of the replies, were as follows:

Have OPA rulings caused you to discontinue certain products?

Yes, 431; no, 238; blank, 53; total, 722.

Is there a real demand for these products?

Yes, 496; no, 24; blank, 202; total, 722.

Thus the score showed that 431 companies (or 60 percent) of the 722 concerns said yes to the question about discontinued products. Another way of looking at this item would be to say that of those who answered this question (and 93 percent of the total did answer it) the affirmative answers outnumbered the negative answers by 18 to 10 or nearly 2 to 1.

It will be noted that the second question, dealing with demand, brought forth a larger number of affirmative answers than the first question. Obviously there were cases of confusion as to the meaning of the second question stated above, because in this connection there were 202 failures to reply. Nevertheless, the magnitude of the 496 affirmative answers as compared with the nominal 24 negative answers indicates that the great majority of those concerns which dropped certain products did so in the face of strong demand for those products.

The survey reveals that hundreds of companies are trying to get OPA relief to restore abandoned products to the market. Meanwhile, they observe that other concerns are frequently getting price preferences on some lines, because they are new concerns. The following questions and tallies bear out these two points.

Are you trying to get OPA relief to restore such products to the market?

Yes, 205; no, 278; blank, 239; total, 722.

Have other concerns been granted a price preference on some lines because they are new concerns?

Yes, 244; no, 95; blank, 383; total, 722.

The reason why only 205 companies or 28 percent of the 722 companies applied for relief in connection with abandoned products is indicated by the widespread experience of delay and uncertainty in obtaining any satisfactory relief from OPA. This is illustrated by the experience of these concerns in trying to get OPA to afford price relief to cover increased unit costs, as revealed by the following two questions:

Have you requested price adjustment to take care of unit cost increases?

Yes, 363; no, 307; blank, 52; total, 722.

If so, has it been authorized?

Yes, 44; no, 221; blank, 98; total, 363.

NOTE.—About 180 companies, of those who applied, said that partial relief had been granted.

In answer to detailed questions as to unit costs of labor and materials, practically all companies indicated sharp increases in such unit costs since the period on which their OPA price ceilings are based. The percentage increases in such costs covered a wide range, particularly in the matter of unit labor costs where increases ranged between 5 percent and 60 percent. No intelligent average of these increases could be computed from the data at hand.

The relative futility of applying for OPA relief is clearly revealed in the above figures, showing that only 44 out of 363 concerns that applied for relief actually got satisfactory relief. In other words, only 1 out of 8 of those who did take the

trouble to apply actually received an adequate price adjustment. This kind of unsuccessful experience doubtless explains why the balance of the companies in the survey did not go to the trouble of fighting for OPA price adjustments.

About 53 percent of all of the reporting companies declared that in recent months OPA has caused fewer jobs than would have been available without OPA; 58 percent said that OPA regulations were interfering with job-creating opportunities that had been planned for the postwar period. The questions dealing with the job problem were given as follows:

In recent months has OPA caused you to supply fewer jobs than you could have supplied without OPA?

Yes, 381; no, 311; blank, 30; total, 722.

Are OPA regulations interfering with job-creating opportunities that you had planned for postwar?

Yes, 423; no, 255; blank, 44; total, 722.

On the whole, therefore, this coast-to-coast spot survey indicates that OPA has forced a discontinuance of hundreds of lines of products. It has failed to grant price increases in the great majority of cases where costs have risen sharply. It has definitely reduced the number of job opportunities.

COMMENT OF ROBERT WASON, PRESIDENT OF THE NATIONAL ASSOCIATION OF MANUFACTURERS, ON THE FEDERAL RESERVE BOARD PRESS RELEASE, DATED APRIL 23, 1946

The sharp upswing for March in the Federal Reserve Board Index of Production as announced in its press release of April 23 is encouraging but cannot be accepted as definitive proof that we are "over the hump."

This index is based presumably upon the physical volume of production, but, as a result of various revisions made in the past few years, relies heavily upon man-hours as a measure of production. Specifically, as of February 1946, the last month for which detailed figures are available, 42 percent of the index is based upon man-hours, rather than upon statistics of the actual number of physical units turned out. Under normal circumstances it may be granted that there is a fairly close relation between man-hours and actual output. Under present circumstances, however, it by no means follows that this is the case. As a result, the Federal Reserve Board Index of Production cannot at present be accepted as reflecting the actual volume of goods being turned out by American industry.

A further reservation on this Federal Reserve Board index figure of 169 is that it offers no indication of the lack of balance in production for the country as a whole. The degree of such lack of balance can be determined only by an examination of the detailed figures making up the index, and the Federal Reserve Board failed to include these in the release under consideration. However, even without such detailed figures, it is only too evident that the lack of balance in production is one of the most serious problems facing the Nation.

A third element worthy of note in connection with this Federal Reserve Board index figure of 169 for March arises from the fact that this is the "seasonally adjusted" figure. It is accepted statistical practice to make allowance for seasonal variation in indices of this character, but it must be evident that under the present circumstances the normal seasonal variations cannot be applied with any feeling of confidence. In its release the Federal Reserve Board failed to indicate what the unadjusted figure would be, and, in consequence, it is impossible to make allowance for this fact.

These are all serious limitations on the usefulness of the Federal Reserve Board Index of Production. It is impossible to determine what these limitations amount to in the aggregate, but it is evident that the over-all effect is to lift the index higher than otherwise would be the case. In view of this, it would be a great error to accept the figure of 169 for March as evidence that the present level of production is anything about which to be complacent.

OFFICE OF PRICE ADMINISTRATION,
Washington 25, D. C., May 6, 1946

The honorable Robert F. Wagner
United States Senate, Washington, D. C.

MY DEAR SENATOR WAGNER: Testimony before the Banking and Currency Committee with respect to the *premium-price plan* included a number of criticisms of the plan.

While we are quite willing to consider changes in its operation which may improve our administration, we feel that on the whole the plan has been remarkably successful. Since last summer, we have had neither the budget nor the personnel to carry cumulative evaluations of the effects of the plan. We were able to carry such records for the period 1942 through 1944. In the fall of 1945, we summarized those records as follows:

PRODUCTION

With respect to production, the plan had for its objects:

1. Provision that price should be no impediment to production.
2. The expansion or maintenance of production by paying premiums for over-quota production sufficient to compensate for the mining of lower-grade ores, thus increase ore tonnages.
3. Bringing idle and new mines into production.
4. Paying for the more intensive development of mines, to expend or maintain production.

As to item 1, we know of no mine that has ceased operations because of prices. The record regarding 2 may be summarized as follows:

LEAD-ZINC MINES

Ore tonnage increased in districts producing 97 percent of the total.
Ore grade declined in districts producing 82 percent of the total.

COPPER MINES

Ore tonnage increased in districts producing 100 percent of the total.
Ore grade decreased in districts producing 71 percent of the total.

As to 3, between January 1, 1942, and December 31, 1944, new mines opened and idle mines reopened totaled 1,899 mines. The maximum production of 573 of these mines for which records were compiled, if added together, totaled:

	<i>Tons a month</i>
Copper.....	8, 400
Lead.....	12, 950
Zinc.....	34, 700

Since all of the group did not reach maximum production at the same time, the group as a whole did not in any one month produce as much metal as is shown above.

Forty-five development campaigns were sponsored by the quota committee.

It was estimated in May 1944 that the 43 successful campaigns had added about 145,000,000 pounds annual capacity to produce lead and zinc.

Aside from these specific results, we may say that the plan has been a contributing factor in the absence of stoppages of production by strikes, and that under its operation, the war activities of our country have not been hampered for want of copper, lead, or zinc.

FINANCIAL

Through June 1945 \$211,285,000 had been paid in premiums as follows:

Copper:	
Money.....	\$73, 633, 000
Tons metal.....	667, 415
Lead:	
Money.....	\$36, 843, 000
Tons metal.....	552, 768
Zinc:	
Money.....	\$100, 809, 000
Tons metal.....	1, 230, 660
Total:	
Money.....	\$211, 285, 000
Tons metal.....	2, 450, 836

Total salary overhead for the operation has been less than \$600,000 or 0.3 percent.

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 1841

An analysis of fairly large samples indicates that margins of mines operating under the plan have been held at good, but not exorbitant levels in spite of cost increases in the order of 45 to 50 percent.

Savings under the plan are a matter of some speculation, involving as they do indeterminate factors such as price spiraling due to mark-ups on basic materials as they pass through the successive stages of fabrication. If we confine ourselves solely to the part that the plan has played in maintaining ceiling prices of the metals, the problem narrows to a question of what prices it would have been necessary to pay to get the supply of metals which has been obtained. Under a one-price system it would probably have been necessary to pay somewhere near top prices paid under the plan to obtain the last pound of supply. Applying the difference between these prices and ceiling prices to the total supply available from the first of 1942 through June 1945, a saving of at least several billion dollars seems to have resulted. Such a calculation is merely an estimate, of course, but unquestionably savings from the operation of the plan have been very substantial indeed.

I think that the above is a sufficient answer to any minor criticisms which may be made of the plan and its administration.

Sincerely yours,

PAUL A. PORTER, *Administrator.*

UNITED STATES SENATE,
COMMITTEE ON THE JUDICIARY,
May 3, 1946.

HON. ROBERT F. WAGNER,
*Chairman, Committee on Banking and Currency,
Senate Office Building, Washington, D. C.*

MY DEAR SENATOR WAGNER: I attach hereto a number of copies of a statement by Mr. Seddon L. Etherton, president of the Detroit and Michigan Property Owners Association, 1103 Michigan Bank Building, Detroit, Mich.

Mr. Etherton had requested permission to testify before your committee on the extension of the OPA. He was informed that arrangements for his personal testimony could not be made but that he could file a statement which would be printed in the committee hearings. The enclosed statement is submitted to you for inclusion in the printed hearings.

I shall also appreciate it if Mr. Etherton's name may be placed on the committee's mailing list to receive a copy of the hearings when they are printed and ready for distribution.

With best personal wishes, I am
Sincerely,

HOMER FERGUSON.

Various economic factors influencing our national economy for selected periods

Year	National income	Net income from agriculture (persons on and off farms)	Agricultural income as a percent of national income	Index of farm prices		Parity ratio	Index of weekly wages per factory worker	Total labor force	Unemployed
				1910-14=100					
	<i>Mil. of dol.</i>	<i>Mil. of dol.</i>	<i>Percent</i>				<i>Thous.</i>	<i>Thous.</i>	
1914.....	36,367	5,474	15.1	101	99	103	39,789	2,214	
1919.....	66,136	11,809	17.9	215	109	207	42,029	10	
1921.....	58,333	5,271	9.0	124	75	208	42,445	4,754	
1929.....	85,954	8,416	9.8	149	89	235	48,354	429	
1933.....	42,006	3,924	9.3	72	60	154	50,669	11,842	
1939.....	71,515	6,355	8.9	95	77	208	53,779	8,786	
1944.....	160,907	15,697	9.8	195	115	2418	63,308	10	

¹ Negative unemployment.
² Preliminary.

1842 EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942

Various economic factors influencing our national economy for selected periods—Con.

Year	Per capita net income of—		Population as of Jan. 1		Farm population as a percent of total population
	Persons on farms from farming	Persons not on farms	Total	Farm	
1914	\$140	\$484	Thous. 98, 172	Thous. 32, 320	Percent 32.9
1919	319	762	104, 806	30, 930	29.5
1921	119	720	107, 504	31, 763	29.5
1929	223	871	121, 136	30, 220	24.9
1933	93	419	125, 223	32, 033	25.6
1939	173	663	130, 406	30, 480	23.4
1944	534	1, 317	137, 368	25, 521	18.6

Source: Bureau of Agricultural Economics, United States Department of Agriculture. Total labor force and number unemployed from The Economic Almanac, 1945-46, National Industrial Conference Board.

Percent that Federal personal income taxes could be reduced in 1946 if consumer subsidies were eliminated and the savings passed back to the individual

Total amount of food subsidies July 1, 1945 to June 30, 1946 ¹ - ²	\$1, 798, 000, 000
Estimated amount of income from personal income taxes in 1946 ³ -----	\$10, 696, 000, 000
Percent consumer subsidies are of personal income taxes -----	16. 8

¹ Iowa Farm Economist, September 1945, p. 15.

² Does not include any deficit appropriations necessary to carry on subsidy program.

³ The revenue bill of 1945, Senate Rept. No. 655, 1st sess., 79th Cong., Oct. 23, 1945, p. 4.

Possible savings for the average Federal personal-income taxpayer in 1946 if consumer subsidies were eliminated and the savings passed back to the individual income taxpayer

Total amount of food subsidies, July 1, 1945 to June 30, 1946 ¹ - ²	\$1, 798, 000, 000
Estimated number of individuals paying Federal income taxes in 1946 ³ -----	36, 302, 048
Food subsidies for each Federal income-tax paying individual -----	49. 53

¹ Iowa Farm Economist, September 1945, p. 15.

² Does not include any deficit appropriations necessary to carry on subsidy program.

³ The revenue bill of 1945, H. R. Rept. No. 1166, 1st sess., 79th Cong., Oct. 9, 1945, p. 27.

Possible savings for various groups of personal-income taxpayers if consumer subsidies were eliminated and the savings passed on to the individual taxpayer

Net taxable income class	Average income taxes per taxpayer	Savings per taxpayer if consumer subsidies were eliminated	Net taxable income class	Average income taxes per taxpayer	Savings per taxpayer if consumer subsidies were eliminated
Under \$1,000 -----	\$52	\$9	\$50,000 to \$100,000 -----	36, 481	6, 120
\$1,000 to \$2,000 -----	127	21	\$100,000 to \$250,000 -----	94, 423	15, 859
\$2,000 to \$3,000 -----	204	34	\$250,000 to \$500,000 -----	250, 995	42, 207
\$3,000 to \$4,000 -----	374	63	\$500,000 to \$1,000,000 -----	514, 181	86, 345
\$4,000 to \$5,000 -----	580	98	\$1,000,000 and over -----	1, 393, 571	234, 841
\$5,000 to \$10,000 -----	1, 132	191			
\$10,000 to \$25,000 -----	3, 990	682	Average for all -----	295	50
\$25,000 to \$50,000 -----	14, 286	2, 396			

Based on data from the revenue bill of 1945, H. Rept. No. 1166, 79th Cong., 1st. sess., Oct. 9, 1945, and the revenue bill of 1945, S. Rept. No. 655, 79th Cong., 1st sess., Oct. 23, 1945. Data on subsidies from Iowa Farm Economist, September 1945, p. 15.

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 1843

Elimination of consumer food subsidies and then passing the savings on to the personal-income taxpayer would amount to about \$50 per taxpayer in 1946. Taxes on individuals with taxable incomes of around \$7,500 could be reduced \$191. An over-all reduction of about 17 percent in individual income taxes would be possible.

Amount of the grocery bill for an average urban family of 4 which is paid by the Government through the use of consumer-food subsidies ¹

[1945-46 subsidy rates and 1945 food-consumption levels] ²

Item	Subsidy per pound retail	Quantity consumed by a family of four	Subsidy per family
	<i>Cents</i>	<i>Pounds</i>	
Fluid milk.....	0.60+	1,788.0	\$10.81
Butter.....	13.3	42.0	5.59
Evaporated or condensed milk.....	1.6	72.8	1.16
Cheese.....	7.5	23.2	1.74
Pork.....	4.4	235.6	10.37
Veal.....	3.0	44.4	1.33
Beef.....	4.9	218.0	10.68
Extra on top grade.....	1.0	.44	.44
Lamb and mutton.....	6.0	28.0	1.68
Margarine, shortening, etc.....	5.0	78.0	3.90
Flour (including bakery products).....	.88	645.6	5.68
Sugar.....	1.4	292.8	4.10
Vegetables:			
Canned.....	0.9-2.2	80.0	1.30
Frozen.....	1.25	6.4	.08
Dried fruit.....	5.0	26.0	1.30
Coffee.....	3.5	64.8	2.27
Total.....			62.43

¹ Approximate; for some of the minor commodities it is difficult to estimate accurately, so there may be an error of a few cents either way.

² Subsidy rates January 1946.

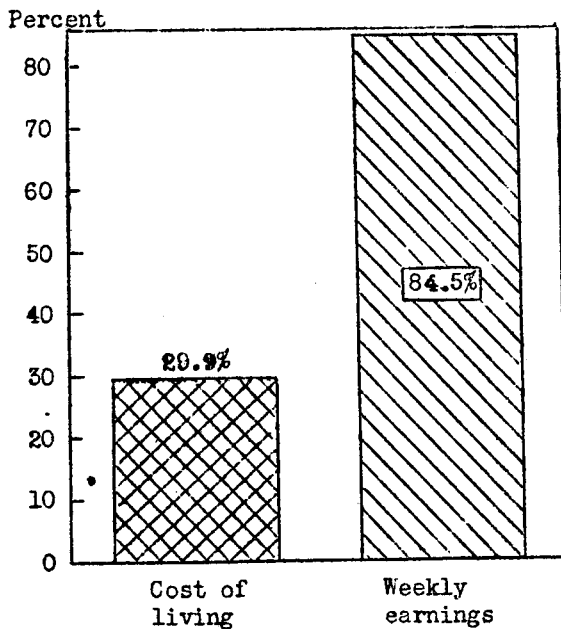
³ Estimate of only canned vegetables on which subsidies are paid.

Consumer good subsidies paid from the Federal Treasury amount to about \$15.61 per person annually, or \$62.43 for an urban family of 4. The Government subsidy to the consumer amounts to over 13 cents on each pound of butter, 7½ cents on a pound of cheese, 3 to 6 cents on a pound of meat, and 1.4 cents on a pound of sugar. For the Government to pay part of consumer grocery bills when consumer incomes are at a high level and when the Federal debt is still mounting, does not make sense to the farmer.

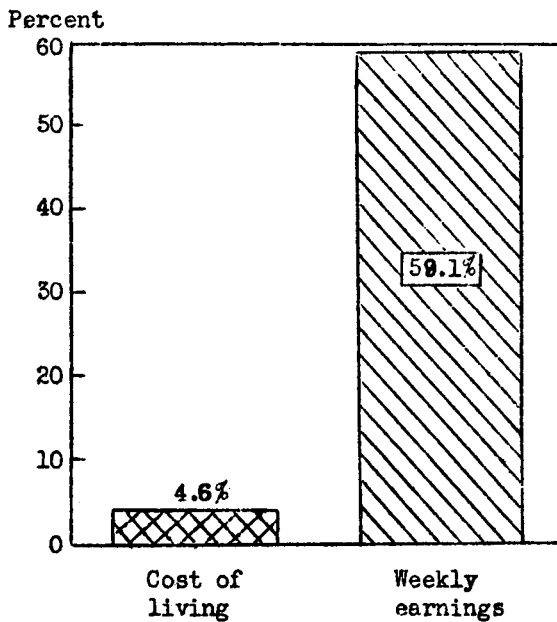
Not only do consumer subsidies force the Government to use funds from the Federal Treasury rather than allowing a price in the market place, but consumer subsidies discriminate against the farmer as a consumer. While the city family gets a subsidy of over \$60 annually on its food bill it is doubtful if the farm family gets more than half that amount. Since farmers produce much of their own food, they do not receive the Government payment in the form of lower food prices to the same extent as city consumers. Only those who purchase their food participate in consumer subsidies.

COMPARISON OF CHANGES IN THE COST OF LIVING AND WEEKLY EARNINGS OF FACTORY WORKERS

INCREASE FROM THE 1935-39 PERIOD TO DECEMBER 1945



INCREASE FROM THE 1925-29 PERIOD TO DECEMBER 1945



EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 1845

Compared with the prewar period (1935-39) the cost of living has increased about 30 percent, while weekly earnings of factory workers have increased over 84 percent. Compared with the boom period of the late twenties, the cost of living in December 1945 was less than 5 percent higher, while weekly earnings of factory workers were up 59 percent.

*Percentage increase in average weekly earnings of workers in all manufacturing industries and in the cost of living since January 1941*¹

Month	1941		1942		1943		1944		1945	
	Weekly earnings	Cost of living	Weekly earnings	Cost of living	Weekly earnings	Cost of living	Weekly earnings	Cost of living	Weekly earnings	Cost of living
January.....	0	0	25.4	11.1	52.5	19.7	70.0	23.2	78.3	26.1
February.....	3.1	0	27.8	12.0	54.4	20.0	70.7	22.8	77.8	25.9
March.....	4.7	.4	30.0	13.4	56.7	21.8	71.3	22.8	77.9	25.8
April.....	5.4	1.4	31.8	14.2	59.5	23.1	71.0	23.6	76.9	26.1
May.....	10.1	2.1	34.5	15.1	61.7	24.1	72.7	24.1	72.7	27.1
June.....	13.5	3.8	36.1	15.5	62.3	23.8	73.6	24.4	73.9	28.0
July.....	11.2	4.5	36.7	16.1	60.5	22.9	70.5	25.1	69.4	28.4
August.....	13.6	5.4	40.3	16.6	63.4	22.4	72.2	25.4	56.6	28.3
September.....	15.1	7.2	41.9	16.9	66.6	22.9	73.6	25.5	53.3	27.9
October.....	17.7	8.4	46.0	18.1	68.4	23.4	76.2	25.5	54.0	27.9
November.....	17.2	9.3	49.3	18.8	70.1	23.2	75.9	25.6	53.5	28.3
December.....	20.8	9.6	51.2	19.4	67.3	23.4	78.1	26.0	55.5	28.9
January 1946.....									54.9	28.9

¹ Calculated from data compiled by the U. S. Department of Labor, Bureau of Labor Statistics.

According to the latest available figure, weekly earnings of industrial workers have increased nearly twice as much as the cost of living since January 1941, the base date of the Little Steel formula. Charges have been made that the Bureau of Labor Statistics index does not measure the increase in living costs. Even if living costs had increased twice as much as shown by this index, the income would still be about the same as the increase in industrial wages.

Status of agriculture in 1939 compared with parity

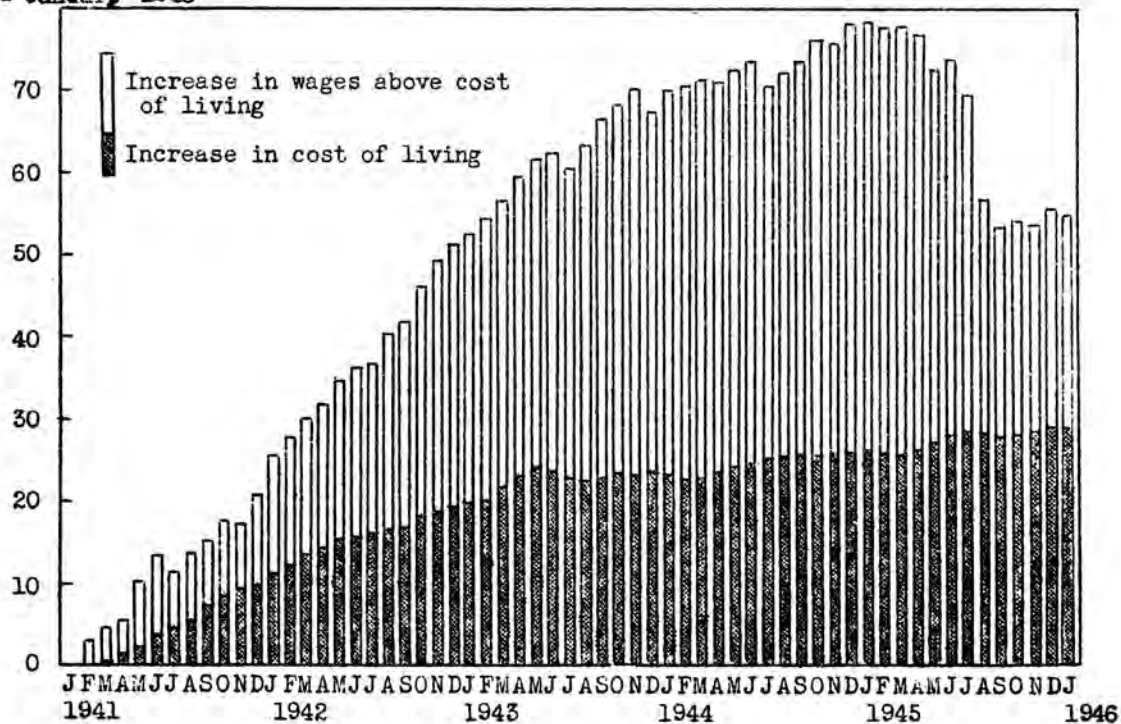
Product	Unit	Farm price, 1939	Percent 1939 price is of parity
Hogs.....	Hundredweight.....	\$6.31	70
Milk.....	do.....	1.70	86
Butterfat.....	Pound.....	.242	74
Wool.....	do.....	.229	101
Cotton.....	do.....	.089	58
Wheat.....	Bushel.....	.64	58
Corn.....	do.....	.48	60
Index of prices received by farmers for all farm products.....	.....	.95	77

Many people are using farm prices in 1939 as a basis for comparing changes in farm income. It should be realized that in 1939 farm prices were the lowest they have been for 35 years except during the depression of the early thirties.

All the major items entering into the cost of living have increased; however, housefurnishings and clothing have gone up more than the cost of food.

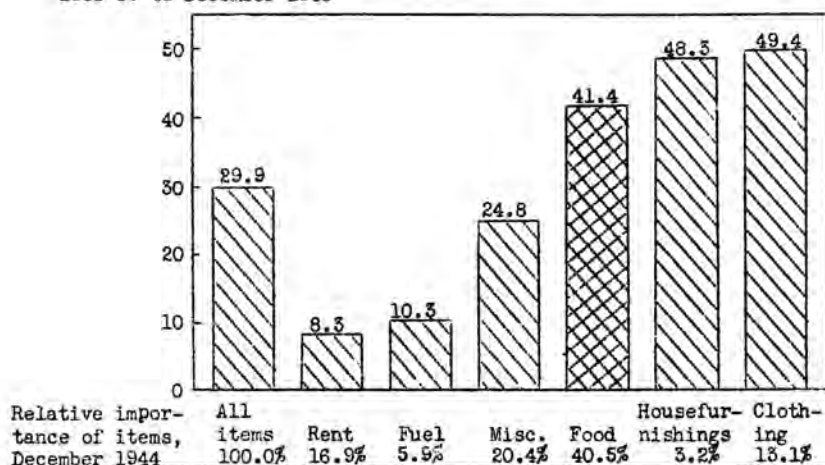
The cost of living today is about 5 percent higher than during the boom period of the late twenties, while weekly earnings of factory workers are 57 percent higher. Food prices today are only 6 percent more than during the 1925-29 period.

Percentage change
between January 1941
and January 1946



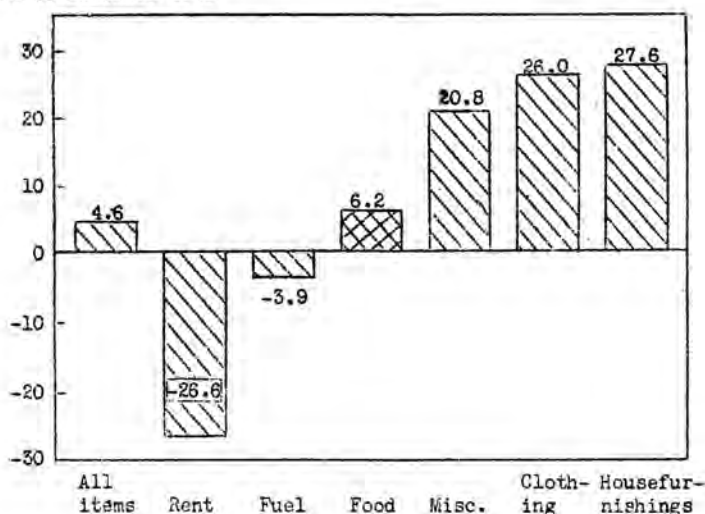
CHANGE IN THE COST OF LIVING FROM THE 1935-39 PERIOD TO DECEMBER 15, 1945

Percent increase from
1935-39 to December 1945

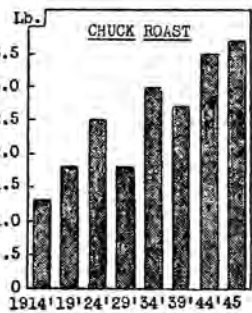
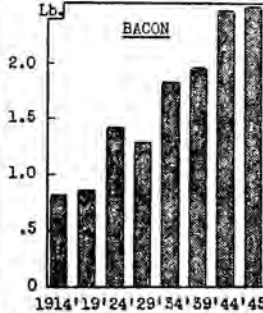
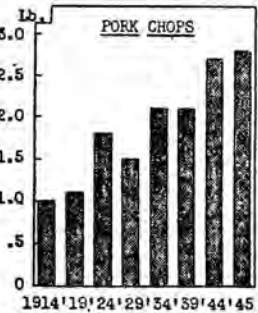
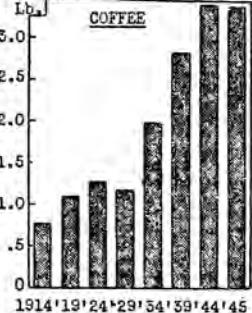
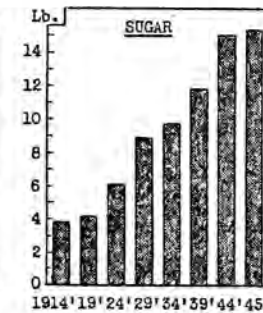
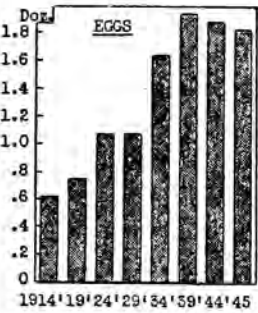
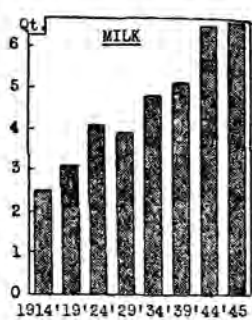
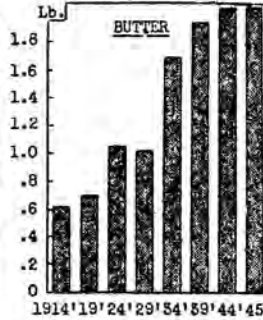
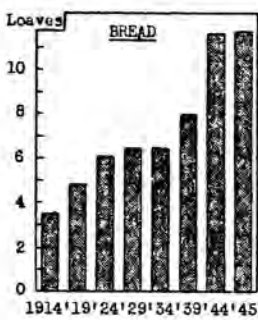


CHANGE IN THE COST OF LIVING FROM THE 1925-29 PERIOD TO DECEMBER 15, 1945

Percent increase or decrease
from 1925-29 to December 1945



CHANGES IN AMOUNT OF FOOD THAT ONE HOUR'S WAGES BOUGHT, 1914-45



(Average hourly earnings in all manufacturing industries divided by the retail prices for the respective food)

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 1849

Changes in amount of food that 1 hour's wages would buy, 1914-45¹

	Bread	Butter	Milk	Eggs	Sugar	Coffee	Pork chops	Bacon	Chuck roast	Corn	Oranges
	<i>Loaves</i>	<i>Pound</i>	<i>Quart</i>	<i>Dozen</i>	<i>Pound</i>	<i>Pound</i>	<i>Pound</i>	<i>Pound</i>	<i>Pound</i>	<i>Cans</i>	<i>Dozen</i>
1914.....	3.5	0.6	2.5	0.6	3.8	0.8	1.0	0.8	1.3	-----	-----
1919.....	4.8	.7	3.1	.8	4.2	1.1	1.1	.9	1.8	2.5	0.9
1924.....	6.1	1.0	4.1	1.1	6.1	1.3	1.8	1.4	2.5	3.4	1.2
1929.....	6.4	1.0	3.9	1.1	8.8	1.2	1.5	1.3	1.8	3.6	1.3
1934.....	6.4	1.7	4.8	1.6	9.7	2.0	2.1	1.8	3.0	4.6	1.6
1939.....	7.9	1.9	5.1	1.9	11.7	2.8	2.1	2.0	2.7	6.0	2.3
1944.....	11.6	2.0	6.5	1.9	15.0	3.4	2.7	2.5	3.5	7.0	2.2
1945 ²	11.7	2.1	6.6	1.8	15.4	3.4	2.8	2.5	3.7	7.0	2.1

¹ Average hourly earnings in all manufacturing industries divided by the retail prices of the respective foods.

² Average of first 10 months.

Source: Calculated from data of the Bureau of Labor Statistics, U. S. Department of Labor.

In 1945 the factory worker was able to buy more food for an hour's work than at any time in our history. In 1914 an hour's wages in the manufacturing industries bought 3½ loaves of bread. By 1939 the purchasing power of wages had increased to nearly 8 loaves of bread for an hour's work, and by 1945 one hour of factory wages would buy nearly 12 loaves of bread. The same is true for most other agricultural products. An hour's wages in the manufacturing industries in 1945 bought over 6½ quarts of milk, compared to about 5 quarts in 1939 and 2½ quarts in 1914. Almost without exception an hour's wages in the manufacturing industries had more purchasing power in terms of food during the war than it had prior to the war. In 1945 more bread, more butter, more milk, more pork chops, more bacon, more coffee, more sugar, and more roast beef could be purchased for an hour's work than during the prewar period.

(The data on this page take into account the fact that many consumers are buying more and better quality foods, eating at restaurants more frequently, and the like, than they did when their incomes were lower)

Expenditures of consumers for food expressed as a percent of total income, 1929-45

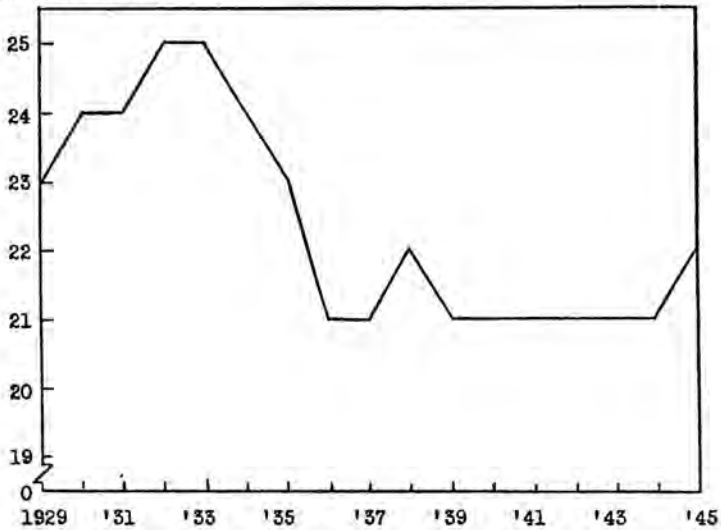
Year	Food expenditures as a percent of total income	Year	Food expenditures as a percent of total income	Year	Food expenditures as a percent of total income
1929.....	23	1935.....	23	1941.....	21
1930.....	24	1936.....	21	1942.....	21
1931.....	24	1937.....	21	1943.....	21
1932.....	25	1938.....	22	1944.....	21
1933.....	25	1939.....	21	1945.....	22
1934.....	24	1940.....	21		

Source: U. S. Department of Agriculture, Bureau of Agricultural Economics: The Marketing and Transportation Situation, April-May 1943 and February 1946.

Expenditures for food in relation to consumer's income are lower today than they were before the war. In 1915 only 22 percent of the average consumer's income was required to purchase food, compared with 21 to 23 percent in the prewar years and 25 percent during the depression of 1932-33. If consumers were now buying the same quantity of food as they did during the prewar years of 1935-39, their expenditures for food would amount to only 15 percent of their income.

1850 EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942

Food expenditures as a percent of total income

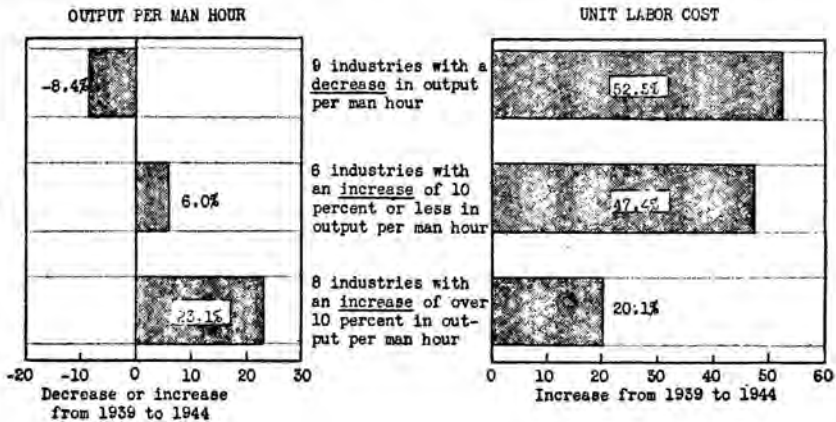


Relation of output per man-hour to unit labor cost in civilian industries

	Percentage increase or decrease from 1939 to 1944 in--	
	Output per man-hour ¹	Unit labor cost ¹
Average of 9 industries with a decrease in output per man-hour.....	Percent -8.4	Percent +52.5
Average of 6 industries with an increase of 10 percent or less in output per man-hour.....	+6.0	+47.4
Average of 8 industries with an increase of over 10 percent in output per man-hour.....	+23.1	+20.1
Average of 23 industries.....	+5.3	+39.9

¹ Simple, unweighted averages of the various industries classified by percent increase or decrease in output per man-hour, 1944 over 1939.

Source: Basic data from Productivity and Unit Labor Cost in Selected Manufacturing Industries, 1939-44: May 1945, Bureau of Labor Statistics, U. S. Department of Labor.



EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 1851

Change in output per man-hour and unit labor cost in civilian industries from 1939 to 1944

Industry	Percentage increase or decrease from 1939 to 1944 in—	
	Output per man-hour	Unit labor cost
	<i>Percent</i>	<i>Percent</i>
Flour and other grain mill products	-16.0	+68.7
Cement	-15.5	+52.2
Chewing and smoking tobacco	-14.9	+51.7
Newspaper and periodical printing and publishing	-12.5	+35.9
Paper and pulp group	-7.3	+52.3
Cane-sugar refining	-4.0	+38.2
Nonferrous metals	-3.4	+52.6
Lumber and timber products	-1.0	+69.7
Fish (canning)	-	+51.5
Cotton goods	+1.3	+61.2
Meat packing and slaughtering	+2.3	+32.7
Boots and shoes	+5.2	+47.8
Fertilizers	+9.0	+58.4
Confectionery	+9.3	+36.0
Cigars	+10.0	+48.2
Bread and other bakery products	+11.2	+22.9
Cigarettes	+12.6	+18.4
Paints and varnishes	+14.1	+17.2
Leather	+14.2	+27.9
Woolens	+16.9	+39.9
Fruits and vegetables (canning)	+24.6	+41.9
Rayons	+41.5	-3
Ice cream	+49.4	-6.9

Source: Basic data from Productivity and Unit Labor Cost in Selected Manufacturing Industries, 1929-44, May 1945, Bureau of Labor Statistics, U. S. Department of Labor.

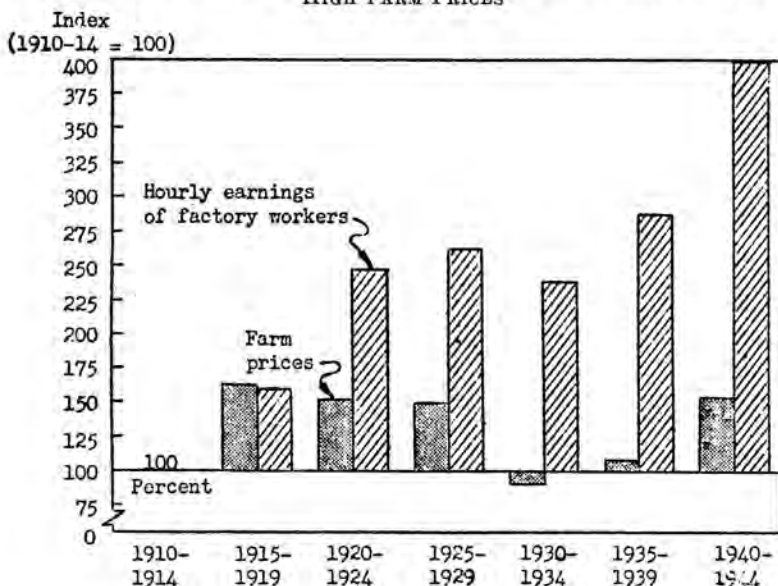
Comparison of farm prices and hourly earnings of factory workers, by five-year periods, 1910-44

[1910-14=100]

Period	Prices received by farmers	Hourly earnings of factory workers	Period	Prices received by farmers	Hourly earnings of factory workers
1910-14	100	100	1930-34	90	238
1915-19	162	159	1935-39	107	286
1920-24	151	247	1940-44	154	399
1925-29	149	262			

Source: U. S. Department of Agriculture, Bureau of Agricultural Economics, Agricultural Outlook Charts, 1946.

HIGH HOURLY RATES OF PAY FOR FACTORY WORKERS DO NOT GUARANTEE HIGH FARM PRICES



Comparison of wages, cost of living, food costs, and farm prices, 1910 to date
[Index numbers, 1910-14=100]

Year	Hourly earnings of factory workers	Weekly wages per factory worker	Cost of living	Retail cost of foods	Prices received by farmers
1910-14	100	100	100	100	100
1914	105	103	104	106	101
1915	108	107	105	104	99
1916	123	121	113	117	118
1917	147	143	133	151	175
1918	193	183	156	173	204
1919	225	207	179	193	215
1920	273	247	208	218	211
1921	339	208	185	166	124
1922	219	202	173	155	132
1923	246	224	177	160	143
1924	257	225	177	158	143
1925	257	220	182	171	156
1926	259	231	183	177	146
1927	261	232	180	171	142
1928	264	234	178	169	151
1929	267	235	178	171	149
1930	301	218	173	163	123
1931	244	196	158	134	90
1932	216	159	141	112	68
1933	215	154	134	109	72
1934	255	170	139	121	80
1935	264	183	142	130	109
1936	266	196	144	131	114
1937	290	213	149	136	122
1938	302	195	146	126	97
1939	299	208	144	123	95
1940	312	222	145	125	100
1941	344	264	152	136	124
1942	403	331	169	160	159
1943	454	391	179	178	192
1944	481	418	182	176	195
Latest month available	1 475	2 369	3 188	4 180	4 209

¹ 1945 preliminary. ² December 1945. ³ February 1946. ⁴ March 1946.

Source: U. S. Department of Agriculture, Bureau of Agricultural Economics.

INDEPENDENT PETROLEUM ASSOCIATION OF AMERICA,
Washington, D. C., May 7, 1946.

Senator ROBERT F. WAGNER,
Senate Office Building, Washington 25, D. C.

DEAR SENATOR: The question of decontrol in the petroleum industry was raised a number of times during the presentation of testimony to your committee. Also, mention was made of a meeting of the advisory committees with the Office of Price Administration at Chicago. At that meeting a report was made by the advisory committees and since this report contains comment on some of the questions developed during the testimony before your committee, I would like to ask permission to have this report filed as a part of the testimony before your committee so that it may be available for consideration and study.

Very truly yours,

RUSSELL B. BROWN.

Enclosure.

JOINT REPORT OF THE NATIONAL CRUDE OIL INDUSTRY ADVISORY COMMITTEE,
AND, THE NATIONAL REFINERS' INDUSTRY ADVISORY COMMITTEE, TO THE
OFFICE OF PRICE ADMINISTRATION ADOPTED AT CHICAGO, ILL., MAY 4, 1946

OFFICERS AND MEMBERS OF THE NATIONAL CRUDE OIL INDUSTRY ADVISORY
COMMITTEE

Chas. F. Roeser (chairman), president, Roeser & Pendleton, Inc., Fort Worth
Tex.

Carl E. Reistle, Jr. (vice chairman), chief petroleum engineer, Humble Oil &
Refining Co., Houston, Tex.

James V. Brown (secretary and treasurer), Independent Petroleum Associa-
tion of America, Washington, D. C.

Russell B. Brown (counsel), Independent Petroleum Association of America,
Washington, D. C.

George S. Bays, consulting and research engineer, Stanolind Oil & Gas Co.,
Tulsa, Okla.

Merle Becker, vice president, W. C. McBride, Inc., St. Louis, Mo.

D. Harold Byrd, president, Byrd-Frost, Inc., Dallas, Tex.

J. P. Coleman, petroleum economist, McCarty & Coleman, Wichita Falls, Tex.

Wilson B. Emery, vice president, The Ohio Oil Co., Findlay, Ohio.

Richard Fenton, executive vice president, California Stripper Well Associa-
tion, Los Angeles, Calif.

B. A. Hardey, chairman, Louisiana Mineral Board, Shreveport, La.

Edwin W. Hayes, independent producer, Independence, Kans.

James W. Johnson, Consolidated Gas Co., Shelby, Mont.

J. P. Jones, independent producer, Bradford, Pa.

Raymond B. Kelly, division manager, The Pure Oil Co., Olney, Ill.

Dana H. Kelsey, vice president, Sinclair Prairie Oil Co., Tulsa, Okla.

H. M. McClure, president, National Stripper Well Association, Alma, Mich.

W. H. Morgan, Long Beach, Calif.

John G. Pew, assistant to vice president and director, Sun Oil Co., Dallas, Tex.

E. P. Potter, treasurer and controller, Amerada Petroleum Corp., New York,
N. Y.

E. B. Reeser, director, Barnsdall Oil Co., Tulsa, Okla.

Albert C. Rubel, vice president, Union Oil Co. of California, Los Angeles, Calif.

J. D. Sandefer, Jr., independent producer, Breckenridge, Tex.

Howard J. Whitehill, president and general manager, The Whitehill Oil Corp.,
Tulsa, Okla.

OFFICERS AND MEMBERS OF THE NATIONAL REFINERS INDUSTRY ADVISORY
COMMITTEE

C. L. Henderson (chairman), president, The Vickers Petroleum Co., Wichita,
Kans.

Sidney A. Swensrud (vice chairman), vice president, Standard Oil Co. of Ohio,
Cleveland, Ohio.

M. E. Foster (secretary and treasurer), Phillips Petroleum Co., Bartlesville,
Okla.

Norman Meyers (attorney for the committee), Shoreham Building, Washing-
ton, D. C.

W. H. Beekhuis, assistant comptroller, Standard Oil Co. of California, San Francisco, Calif.

W. H. Bennett, vice president and treasurer, Frontier Fuel Oil Corp., Buffalo, N. Y.

Paul G. Blazer, chairman, Ashland Oil & Refining Co., Ashland, Ky.

John W. Boatwright, manager of sales research department, Standard Oil Co. (Indiana), Chicago, Ill.

Neil Buckley, vice president, Taylor Refining Co., Taylor, Tex.

Stewart P. Coleman, head of economics department, Standard Oil Co. of New Jersey, New York, N. Y.

L. T. Cramer, manager of sales administration, Continental Oil Co., Ponca City, Okla.

Max M. Fisher, vice president, Aurora Gasoline Co., Detroit, Mich.

Harry H. Fuller, manager bulk sales, Sinclair Refining Co., New York, N. Y.

William H. Garbade, assistant treasurer and assistant secretary, Shell Union Oil Co., New York, N. Y.

D. P. Hamilton, president, Root Petroleum Co., Shreveport, La.

Joe L. Hill, vice president, Southport Petroleum Co. of Delaware, Washington, D. C.

R. A. Hunter, manager fuel oil sales, Gulf Oil Corp., Pittsburgh, Pa.

C. A. Johnson, chairman, Socal Oil & Refining Co., Huntington Beach, Calif.

B. L. Majewski, vice president, Deep Rock Oil Corp., Chicago, Ill.

Joseph L. Nolan, manager of oil department, National Cooperative League Association, St. Paul, Minn.

Roland V. Rodman, vice president, Bay Petroleum Corp., Denver, Colo.

William L. Stewart, Jr., executive vice president, Union Oil Co., Los Angeles, Calif.

R. L. Tollett, president, Cosden Petroleum Corp., Big Spring, Tex.

J. S. Worden, manager of refining operations, The Texas Co., New York, N. Y.

W. S. Zehrung, president, Pennzoil Co., Oil City, Pa.

The National Crude Oil Industry Advisory Committee and the National Refiners Industry Advisory Committee to the Office of Price Administration, meeting in joint session at the Stevens Hotel, Chicago, May 4, 1946, feel obligated to point out that the most urgent need of the petroleum industry is the restoration of an economy freed from the artifices of price control. It is our joint opinion that the average American consumer, the National economy, and the consideration of National defense will all be served best by the elimination of price controls on the petroleum industry. This position is predicated upon the firm knowledge of surplus capacities to produce in all phases of the industry which will lead inevitably to a restoration of keen competitive rivalry among various units of the industry. Competitive intensity over a period of years has been such that the index of petroleum prices as published by the Department of Labor show a decline of 63.5 percent of the base year, 1926, as compared with an index of 105.8 percent in prices generally, since the same base year. Petroleum prices were carried downward by competition notwithstanding the fact that the demand increased 126 percent during the same period.

The economic forces that have been in operation throughout the war tending to raise the cost of finding, producing, and processing crude oil are inescapable and must be faced sometime. The longer prices are kept artificially from reflecting true costs, the more difficult will be the transition when price controls are finally removed. Price controls contribute to situations of scarcity of different products, which may be used a year from now, and contribute artificial arguments for continuing controls.

Such a philosophy would involve permanent continuation of wartime controls under the guise of preventing inflation. This is not believed to represent the intent of Congress or the American people. The experience since the war demonstrates that the petroleum industry is in a position to meet demands and has attained the situation in which OPA promises to remove controls. It is our firm conviction that restoration of the benefits of a free economy can only be made available to the American public by complete decontrol. The power to bring about decontrol seems to be clearly set forth in Directive No. 68, Amendment No. 2, Section 3, as follows:

"Sec. 3. The Price Administrator may recommend to the Economic Stabilization Director the suspension of price control with respect to any commodity or transaction, or the exemption of a commodity or transaction from price control, in any specific case, not falling within section 1 or section 2 of this directive, in which in his judgment such action is not inconsistent with the purpose of the stabilization laws."

Suspension will not accomplish desired results, as the industry will not be free to make needed modifications of petroleum prices without inviting reinstatement of price control. Suspension will maintain a sword of Damocles over the industry, preventing freedom of action in the execution of long time plans for public well-being. Suspension of prices will but prolong the time period before the industry will be freed from price regulations. It will shift the onus of inadequate supplies of any given product necessary to meet any unusual demand from the judgment of OPA, to the oil industry. It will retard the introduction of economies resulting from technological or other improvements from being undertaken, as it may result in temporary profits above the mythical 1936-39 base period for evaluation.

Suspension will mean that some standard of measurement will continue to be applied to the oil industry to ascertain whether that industrial segment is violating the realm of reasonableness as judged by a small group of individuals, however able they may be. What are to be the standards of measurement to be applied? What is to be the basis of judgment? Our only answer thus far has been that profits must not exceed those earned during the arbitrarily selected base years 1936-39. The fairness of this base period has never been justified as representing normal earnings for the industry and the subsequent price freezing perpetuated inequalities previously existing. The policy of tying an industry back to such a falacious base period is a denial of the basic principles of the free enterprise system. This is the adoption of a regimentation economy which will retard exploration, development, and research. It retards the introduction of needed economies. It halts the growth of an industry in the American economy demanding greater and greater petroleum supplies to meet an ever expanding desire. It stops the normal or customary return on added investment necessary to serve this growing market.

It is our joint recommendation, therefore, that the Office of Price Administration, the Office of Economic Stabilization, place on the oil industry its full responsibility of meeting the requirements of the American consuming public. Give the industry the freedom to work out those problems without the shackles of governmental price control and it is our firm belief that it will find ways and means in the future, as in the past, of supplying the entire petroleum market at price levels which will continue to be lower than those reflected by the index of prices generally as published by the Department of Labor.

Having clarified our position in this respect, we hereinafter submit our best thinking concerning specific questions put to the Committee by representatives of the Office of Price Administration. The answers to the following questions are believed to be equally applicable whether price control be eliminated temporarily or permanently. They are submitted as a cooperative effort on the part of the Committees and represent, in the main, a reiteration of opinions previously presented to OPA.

Question 1. How does total demand, present and anticipated, compare with actual and potential crude oil production and refinery capacity?—Answer. The petroleum industry in the United States produced 4,688,000 barrels per day of crude oil in 1945. The demand for domestic crude oil according to authoritative estimates by various sources will be 4,400,000 to 4,500,000 barrels per day in 1946. The Bureau of Mines has estimated the demand for crude oil from Texas to be 2,030,000 barrels per day in May, whereas the maximum efficient rate of production for the State, determined by the Petroleum Administration for War, is 2,121,000 barrels per day. Surpluses exist in other States also. This is evidence of excess productive capacity.

The record of production in relation to estimated demand shows that there is no reason to believe the States will fix production at a level below current consumption. It must be recalled that prices for crude oil decreased as well as increased prior to the war under similar State efforts to control production so as to eliminate waste.

Statistics are shown on the following page and on the attached chart, by years since 1937, to demonstrate that production for the United States and Texas has been very close to the estimate of demand issued by the Bureau of Mines and by the Petroleum Administration during the war. To demonstrate the accuracy of State regulatory agencies, for example, in the first 4 months of 1946, Texas' production of 1,994,000 barrels per day exceeded the Bureau of Mines' estimate of demand by 37,000 barrels per day. It is reasonable to expect that the industry will endeavor to meet all demands in order to satisfy its customers and that the regulatory agencies will continue, as they have for years, to fix allow-

1856 EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942

ables in relation to demand. The comparison of production with the demand estimated by Government agencies is shown in thousands of barrels daily:

	United States			Texas		
	Estimated demand	Actual production	Production above estimate	Estimated demand	Actual production	Production above estimate
1937.....	3,344	3,505	161	1,338	1,398	60
1938.....	3,383	3,327	-56	1,354	1,304	-50
1939.....	3,463	3,466	3	1,403	1,325	-78
1940.....	3,583	3,697	114	1,333	1,348	15
1941.....	3,849	3,842	-7	1,372	1,335	-37
1942.....	3,694	3,799	105	1,229	1,324	95
1943.....	4,123	4,125	2	1,598	1,623	25
1944.....	4,582	4,584	2	2,022	2,044	22
1945.....	4,771	4,688	-83	2,090	2,070	-20
1946—January.....	4,500	4,625	125	1,950	2,037	87
February.....	4,430	4,695	265	1,890	2,100	210
March.....	4,450	4,405	-45	1,910	1,800	-110
April.....	4,620	4,675	55	2,080	2,040	-40
4 months.....	4,500	4,600	100	1,957	1,994	37

There is in the United States economically situated refining capacity of approximately 4,900,000 barrels daily. In relation to the expected requirements of 4,400,000 to 4,500,000 barrels daily for 1946, there is, therefore, a surplus of refinery capacity under both present and anticipated requirements throughout 1946.

Question 2. How does individual product demand, present and anticipated, compare with refinery capacity on each product; or, in other words, is refinery flexibility sufficient to meet demand for the individual products?—Answer. There is ample historical evidence, based on experience during the war, when relative all-time peak product demands varied over wide ranges, to demonstrate that sufficient refinery flexibility exists to meet all anticipated individual product demands. Even if residual fuel oil demands should increase materially above the present level, such increase could be physically met by the diversion of actual or potential supplies of gas oil or distillate fuel, to residual fuel.

Question 3. What is the probable reaction of crude oil prices with suspension of price control on crude oil and products?—Answer. The trend of petroleum prices in relation to other commodities is shown in the attached chart. Crude oil prices, even after the 10-cent advance recently authorized by OPA, are still only about 10 percent above the level for 1937, whereas the average wholesale price of all commodities is now 25 percent higher and the average price of raw materials is 40 percent higher. Taking into consideration the increase in average hourly earnings of labor in the petroleum industry of about 63 percent since the base period 1936-39 as presented in our letter of February 25, 1946 (an increase of 52.2 cents per hour), and further taking into consideration increases in all other materials and supplies averaging from 15 to 25 percent, we feel that the average price of crude oil could advance at least 25 cents per barrel as recommended by the Petroleum Administration for War, several congressional committees, and your advisory committee, and would still be well within the pattern of price increases already established for practically all other basic raw materials.

While crude-oil productive capacity is more than adequate to meet the foreseeable demand for 1946, new reserves must be continually discovered in volume at least equal to the current production. Therefore, it must be recognized that in the long run the petroleum prices must necessarily reflect increased replacement costs.

Question. What will be the probable result as to refined product prices in general, and as to specific products, of a given increase in crude oil prices, taking into consideration the increases that have already occurred in crude oil and other refinery costs?—Answer. Since 1941, as of the time when price ceilings were established, it is estimated that overall refinery operating expenses, as a result of higher costs of labor and of practically all other items, have increased in the order of 15 to 20 cents per barrel of crude oil runs. Since that time also the average well price of crude oil paid by refiners has advanced by an average of approximately 16 cents a barrel representing various individual increases and the recent general increase of 10 cents a barrel. Thus, raw material and operating

costs have increased by a total amount in the order of 31 to 36 cents a barrel or an average of approximately 33 cents.

Against this, since price ceilings were established, certain ceiling price increases, notably on fuel oils, have been authorized by the OPA on refined products, the aggregate of such increases being estimated to be equivalent on the average to about 12 cents per barrel of crude oil run. This leaves a net increase in costs of about 21 cents per barrel of crude oil that has not yet been reflected in increased product price ceilings. To recover this out of the saleable products, representing about 38 gallons which can be made from a barrel of crude, would require an average increase of little over half a cent per gallon of such refined products.

If now, ceiling prices were lifted on both crude oil and products, and crude oil prices were to advance further, what would be the reasonable expectation with respect to refined product prices?

The refiners advisory committee has heretofore pointed out that the profit margins for refining have not been sufficient to permit the refining branch of the industry to absorb any substantial crude oil or other cost increases, especially in view of the probable high level of future plant replacement costs with which refiners are faced. There will undoubtedly be times when the price of some particular product will be "soft" as gasoline is at present (due in large part, we believe, to the inflexibility of frozen prices at an earlier date), but if the refining branch of the industry is to be self-sustaining and is to permit the continued existence of an independent refining segment of the industry, then not only must presently unrecovered cost increases be recovered, but likewise future increases must be recovered.

For each 10 cents per barrel increase in crude oil prices there must be an average increase in refined product prices of at least one-fourth cent per gallon. Ordinarily, some of the products resulting from refining are "byproducts" which must be sold for whatever they will bring in competition with other fuels. For such products it may be impossible to obtain any increase in price regardless of increased crude oil or other costs.

For some other products the demand and competitive factors may permit some increase, but not the full amount. Therefore, other primary products would have to increase by a greater amount, perhaps a half cent or more per gallon in order to make up the total of 10 cents per barrel of crude.

Except in a superficial and short run sense, there is only one set of supply and demand factors in the oil industry, the supply of crude and the demand for products. There is no material public demand for crude oil as such; therefore, it must derive its economic value from the products into which it can be made.

If, therefore, ceiling prices are suspended and a free market restored with no abnormal factors present, refined product prices generally should be expected to move up in response to net increases in refinery operating costs and in full response to the same economic factors of supply and demand which, in a free market, might result in increased crude-oil prices.

As already stated, it would not be likely that the prices of all products would rise by the same amount, not only because of competitive fuels, but also because the degree of necessary refining varies considerably for different products, and, as has been pointed out elsewhere, there is considerable variation, on account of seasonal and other factors, in the demand, from time to time, for each of the particular products and, therefore, their prices in relationship to each other would tend to vary. As has already been pointed out, however, there is ample refining capacity, not only to make the over-all total of products required, but to make the full requirements of each of the individual products. It would not be likely, therefore, that the price differentials between the various products would vary materially from those that have existed in the past under similar conditions. The only exception to this would be in the case of some abnormal factor, such as a sudden large increase in military requirements of some particular product or a drastic decrease in the supply of some competitive fuel such, for example, as might result from a prolongation of the present coal strike. It is believed, however, that any unusual increase in any specific product price arising from such abnormal factors could be dealt with as a special problem when and if it arose, and certainly it would be unreasonable to withhold or postpone removal of price ceilings for the industry as a whole merely because of the possibility of some such special factors developing.

Question 5. What would the probable effect be of suspension on individual products by areas in correcting present maladjusted prices of products?—Answer. Unquestionably, some adjustments in prices would occur with products which for one reason or another are currently maladjusted. These in our opinion would

neither occur nor spread nationally, nor would any substantial percentage of the national production be involved. No revocation of a suspension order should occur due to the correction of these maladjustments since they would not be of an inflationary character, and would simply tend to restore normal economic relationships.

Question. 6. If ceiling prices are suspended, what will be the probable effect on retail and dealer prices of the various refined products, giving consideration to changes in various marketing costs?—Answer. Both retail and wholesale marketing costs have increased as a result of the higher costs of labor and of practically all other items entering into the distribution of petroleum products. There have been some factors at work in the opposite direction also, such as a higher proportion of direct deliveries from refineries or terminals to retail outlets, sales of other lines of merchandise, etc., but there appears to be little doubt that, in the net, marketing costs have undergone an increase. The question then is whether, if ceilings are suspended, will wholesale and retail marketing margins increase so as to result in a greater increase in dealer and retail prices than in refinery prices? We believe it can be said on this subject that any such increase would not in any event be greater than the actual increase in operating costs, because the field of marketing is a highly competitive one and, in the case of gasoline, the smaller number of automobiles now in use as compared to 1941 makes it highly probable that such competition can be expected to continue on an intensive basis for a long time in the future.

To summarize, it is the conclusion of the committee that while marketing margins may increase slightly, reflecting higher costs, such increases in margins on gasoline and the other leading products would be in the order of a relatively small fraction of a cent per gallon.

Question 7. If, after the removal of all price controls on crude and products, residual fuel oil demand should exceed normal refinery by-product fuel oil production and necessitate the addition of gas oil to residual fuel oil so that fuel oil price rose to an abnormal level above present ceilings, would you favor the imposition of a flexible price control on fuel oil which would compensate the refiner for the cost of the gas oil necessarily added; for example, some arrangement whereby price advances would be granted to the individual refiners supplying the marginal high cost fuel oil or the differential gravity price scale for fuel oil used during the war?—Answer. While the committee is in favor of removal of price controls on all products, if, during the existence of price controls by law as affecting the oil industry, the above supply and demand situation on heavy fuel oil should materialize, it feels that imposition of controls as described on fuel oil alone, leaving crude and other product prices unrestricted, could be considered on its merits when and if that time came.

AMERICAN HOTEL ASSOCIATION,
New York 19, N. Y., May 6, 1946.

The Honorable ROBERT J. WAGNER,
*Chairman, United States Senate Committee on Banking and Currency,
United States Senate, Washington, D. C.*

DEAR SENATOR WAGNER: I wish to call to your committee's attention certain supplementary data which has a bearing upon questions asked by Senator Mitchell during the course of testimony presented by this association before your committee on April 30, 1946, and in particular to the discussion of a report on the financial status of 100 hotels compiled by Horwath & Horwath, accountants.

In the course of his testimony Mr. Sherrard stated that hotels in 1942 earned 3.5 percent. This statement was made for the purpose of showing the unfairness of fixing 1942 or a preceding year as the base period to be used in appeals for rate adjustment under the hardship provisions of the regulations. At this point Senator Mitchell called attention to the fact that the Horwath & Horwath report showed an industry profit of 6.4 percent for 1942. May we explain this apparent discrepancy by submitting the following additional information?

Mr. Sherrard's figure of 3.5 percent is taken from the report of Harris, Kerr, Forster & Co. copies of which are attached. This report covers 300 hotels located in 100 cities and is more comprehensive and, we believe, more representative than the Horwath & Horwath study of 100 hotels. Moreover, the statement of earnings by Horwath & Horwath is calculated without deductions for interest, other capital charges and reserves for deferred maintenance.

Harris, Kerr, Forster & Co. estimate that 2.6 percent would cover interest on conservative mortgages, and, of course, many hotels must pay up to 5 percent on their bond issues. In our opinion at least an additional 1 percent would be required for other capital charges. Therefore, at least 3.6 percent must be deducted from the earnings of 6.4 percent for 1942, and 8.22 percent for 1944 shown by Horwath & Horwath, an adjustment which will show earnings of 2.8 and 4.6 percent, respectively for those years. In addition, we believe that the proper accounting procedures require the deduction of at least 2 percent for deferred maintenance reserves. All hotel properties are badly in arrears in their repairs and maintenance due to heavy wartime usage, and the shortages of labor and materials during the past 4 years. The aggregate of this backlog is estimated at \$1,441,160,000 for the industry in a report published yesterday by the Bureau of Economic and Business Research. The fact that deferred maintenance is not an allowable deduction for the purpose of Federal income and surplus profits taxes has made it impossible in most cases to set up adequate reserves therefor.

May we also emphasize that during the year 1944 hotel occupancy averaged 91 percent. As a matter of practical operation, hotels cannot be operated over an extended period of time at over 90 percent. Furthermore, there is every reason to believe that there will shortly be a rapid decline of occupancy from the abnormal wartime levels. Sixty-three percent was the average rate for the 4 years preceding 1941. Meanwhile hotel costs have substantially mounted during the year 1945, and the first few months of 1946, to bring the break even point of occupancy to 82 percent as compared with a 65 percent break even point in 1941. From the time hotel rates were frozen until the end of 1944, expenses per room increased from \$1,669 to \$2,426 per year. This amounts to \$757 or slightly more than \$2 per room per day. Increased costs from December 31, 1944, to April, 1946, approximate at least another \$1 per day per room. These costs show no tendency to decline and will almost certainly increase further. As stated in Mr. Sherrard's testimony, the 65 cent minimum wage law, which would increase hotel pay rolls 21 percent at one stroke, or any general increase in costs, will place the majority of the country's hotels in the red. They cannot increase their room sales to meet further increased costs because there are no more rooms available. Because of the fact that we are exposed to these high service costs, as stated above, we ask for separate regulations under rent control for hotels furnishing usual and customary hotel services.

May I respectfully request the indulgence of your committee to permit the incorporation of this letter in the record of the hearing.

Sincerely yours,

M. O. RYAN,
Washington Representative.

OFFICE OF PRICE ADMINISTRATION,
Washington 25, D. C., May 9, 1946.

The Honorable ROBERT F. WAGNER,
United States Senate, Washington, D. C.

DEAR SENATOR WAGNER: At the Tuesday, April 23, hearings of the Senate Banking and Currency Committee, Senator Barkley and several other Senators asked Mr. Lieberman and me concerning the use of "net worth" in our earnings standard. As you know the earnings standard provides that when the profits (before taxes) of an industry, expressed as a percentage of net worth, fall below the profits of a normal peacetime period, ceiling prices must be increased.

In answer to a question from Senator Barkley, I said: "Long-term indebtedness is included as part of net worth." I wish to correct that statement by referring to the enclosed letter written by Mr. Paul M. Green, Deputy Administrator for Accounting, which defines "net worth" and explains the use of "return on net worth" in the earnings standard.

Yours sincerely,

GEOFFREY BAKER,
Deputy Administrator for Price.

OFFICE OF PRICE ADMINISTRATION,
Washington 25, D. C., May 8, 1946.

The Honorable ROBERT F. WAGNER,
Chairman, the Committee on Banking and Currency, United States Senate,
Washington, D. C.

DEAR SENATOR WAGNER: At the request of Mr. Geoffrey Baker, Deputy Administrator for Price, I am writing this letter to supplement his testimony before your committee on April 23, 1946. The subject of net worth came before the committee at that time. Senator Barkley requested an explanation of net worth in a manufacturing concern and it is the purpose of this letter to clarify some of the discussion that occurred.

Net worth of a manufacturing concern is the same as net worth of any other type of business. Net worth is the excess of total assets over total liabilities or, in nontechnical words, is simply the difference between the amount of things owned by the business and debts owed by the business. The Office of Price Administration defines net worth in exactly the same way as does the accounting profession and business generally. In more technical terms, net worth is shown in accounting records for the individual proprietorship as the amount of the proprietor's capital account. In a partnership, it is the net total of the partners' capital accounts. In a corporation, it is the total of outstanding capital stock, surplus, and surplus reserves. The latter include reserves for contingencies.

Return on net worth is computed for use in the earnings standard by determining the percentage of net profit before taxes to net worth. This is one of several possible ways of measuring earning power. It has been widely used in financial analysis to measure and compare the earning power of companies. For certain purposes and under some conditions, earnings may even be measured by comparing net profits before interest and taxes with total assets or with net worth plus long-term indebtedness. However, net profits are ordinarily stated after the deduction of interest as an expense. With the entire cost of borrowing money thus taken care of before arriving at a figure of net profits, it is clearly proper and necessary to compare the net profit figure with the net worth figure which of course excludes borrowed money. The measuring of net profit before taxes to net worth did not originate with OPA. It has been in use over many years by industry. As was suggested in the discussion, the earnings of a company are measured by computing the difference between net sales and total costs and expenses including interest on borrowed money. This figure is in dollars and to reduce it to a percentage the dollar amount is then applied against an appropriate base. The base used for price control purposes under the earnings standard is net worth.

During the discussion a question arose as to why OPA could not follow income tax practices. Following income tax practices would not be an absolute impossibility for OPA but such action would result in many inequities in price control, as was pointed out in my statement submitted to your Committee on March 21, 1945. The determination of taxable income is the development of a statutory concept, whereas the cost and profits computations of OPA under requirements of the Emergency Price Control Act must be accomplished in accordance with generally accepted accounting methods. There is much special legislation established for specific industries in income tax practice. It is extremely important for OPA to have determined costs and incomes in the periods to which they apply because price and rent decisions must be based upon a comparison of a current period with a base period. Under income tax practice it is not important to have each year correct in itself because incomes not reported in one year and expenses not taken in that year presumably will be shown in subsequent years. Income tax practice also has carry-back and carry-forward provisions which would be unworkable in the determinations required in price and rent control.

The accounting definitions and interpretations of OPA are consistent with those of business and accounting practice. Our practices have been examined and approved by representatives of many of the major accounting firms. Our basic accounting policy was set forth in my statement to your Committee referred to above. Should there be any additional information of an accounting nature that you desire, I shall be glad to prepare it for the Committee. We welcome the complete examination of OPA accounting policies, procedures and determinations. It is my firm opinion that your Committee would be considerably handicapped in its consideration of the extension of the Emergency Price Control Act if it did not have a reasonably complete understanding of the accounting problems and implications of the work of OPA.

Sincerely,

PAUL M. GREEN,
Deputy Administrator for Accounting.

NATIONAL ASSOCIATION OF HOSIERY MANUFACTURERS,
New York 16, N. Y., May 8, 1946.
 COMMITTEE ON BANKING AND CURRENCY,
United States Senate, Washington, D. C.

GENTLEMEN: During my testimony before your committee on Monday, May 6, I presented some figures on the production of women's rayon and nylon hosiery for the 9-month period of July 1945 to March 1946, inclusive, and I undertook to transmit my mentioned figures for the record. The figures follow:

Production of women's rayon and nylon hosiery (dozens of pairs) 9-month period of July 1945 to March 1946, inclusive.

Month	Rayon	Nylon	Total
July 1945.....	2, 636, 114	-----	2, 636, 114
August 1945.....	3, 362, 226	-----	3, 362, 226
September 1945.....	3, 199, 395	12, 545	3, 211, 940
October 1945.....	3, 001, 106	488, 687	3, 489, 793
November 1945.....	1, 904, 387	1, 252, 844	3, 157, 231
December 1945.....	1, 341, 365	1, 507, 111	2, 848, 476
January 1946.....	1, 585, 488	2, 219, 299	3, 804, 787
February 1946.....	1, 333, 321	2, 276, 978	3, 610, 299
March 1946.....	1, 347, 701	2, 527, 044	3, 874, 745

The months of July to September 1945, inclusive, were the last months during which the manufacturers secured rayon yarn from the producers of the yarn, under WPB's allocation order M-37-d.

Sincerely yours,

EARL CONSTANTINE, *President.*

NATIONAL AUTOMOBILE DEALERS ASSOCIATION,
Washington 6, D. D., May 7, 1946.

HON. ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Washington, D. C.

MY DEAR MR. CHAIRMAN: At the specific request of several members of your Banking and Currency Committee, made during my appearance before it on May 2, 1946, I am sending you herewith certain additional facts and statistics in connection with the operations of the more than 30,000 retail automobile dealers of the United States during the war period. Included in those members requesting these figures in whole or in part were Acting Chairman Taylor and Senators Taft, Millikin, Mitchell, and Capehart.

Two subjects of paramount interest to committeemen upon which additional information was asked were:

1. What were the increased operating dealer costs during the war period, how and when facts about them were made available to OPA, and what consideration, if any, was given to these increased costs by OPA before lowering dealer discounts?
2. Upon what grounds does OPA seek to justify its cuts in dealer trade discounts and what is the dealer comment thereon?

Replies to these requests which follow are based chiefly on information obtained late in 1945 by NADA from 1,952 dealers throughout the United States. The data was collected by the NADA and turned over to the International Business Machines Co., for compilation after coding by regions and car makes. All figures were properly weighted. These compilations then were submitted to the House Small Business Committee and to OPA. After inspecting the figures, OPA officials approved their accuracy.

INCREASED DEALER COSTS

These statistics show a national average increase properly weighted of 25.91 percent in the normal operating costs of dealers during the war period. Included in the survey were 14 expenditures common to every retail automobile operation. The following list shows the increases in detail.

	<i>Percent</i>
1. Make ready for delivery (excluding freight)	28. 43
2. Guarantee policy adjustments	26. 04
3. Average salary paid (including clerical and sales commission)	29. 21
4. Average wage paid	30. 04
5. Reconditioning per used car	73. 56
6. Miscellaneous supplies (including stationery)	19. 07
7. Miscellaneous express and hauling	15. 02
8. Rents and leaseholds	34. 67
9. Maintenance, buildings	40. 30
10. Maintenance, equipment	39. 55
11. Taxes other than income	19. 17
12. Insurance (including building)	16. 75
13. Light, heat, water, power	14. 24
14. Telephone and telegraph	15. 98

Subsequent to the compilation of the above statistics, NADA made numerous spot checks indicating an additional general cost rise of 7 percent. Thus the total increased operating costs today over the war period probably are about one-third.

In considering how OPA arrived at the conclusion that dealers could absorb substantial discount cuts to help pay increased manufacturing costs, it is important to remember that at no time did OPA give proper recognition to increased dealer operating costs. If OPA had done this, dealer discounts never would have been reduced.

OPA'S FUTURE BUSINESS GUESSES

OPA's dealer discount cut, which now amounts to 7½ percent, was based on theoretical 1946 retail automobile conditions that have proven tragically inaccurate for the trade. First, OPA decided on the basis of hand-picked reports from less than 1 percent of the trade that the dealer prewar realized margin on new car sales was only 11.5 percent. The remaining 12.5 percent of the established 24 percent trade discount had been lost by bad used-car trades, OPA said. Therefore, all that dealers would need to make in the postwar period in order to equal their prewar margin was 11.5 percent, OPA declared. OPA also insisted that earning of 11.5 percent would be easy.

Here is how OPA predicted dealers in 1946 would make their customary prewar profits, after OPA discount cuts.

1. *In November 1945, OPA predicted new car production would reach a 4,000,000 annual average by March 1, 1946*

What happened? Instead of producing new cars at a rate of 4,000,000 per year by March, 1946, manufacturers by April were only producing them at the rate of 786,336 annually, or at less than one-fifth the rate predicted by OPA. Production in April 1946 increased to approximately 132,000, but the outlook for future production is dark. In response to telegrams from NADA, on April 19 all leading manufacturers declined to make any estimates on the volume to be produced in 1946. Consensus of manufacturer opinion was that if the coal strike were settled promptly, if there were no delays in obtaining parts from suppliers and no additional labor troubles, they might produce 60 percent of the 1941 volume, or approximately 2,245,045 cars in 1946. Steel manufacturers simultaneously stated that if their plants ran full capacity throughout the year, they could furnish cold rolled steel for no more than 2½ million cars.

2. *OPA insists today that dealers will sustain no net losses on all used cars traded in against new cars in 1946*

This prediction is open to serious question. It is reasonable to assume that a majority of the new cars sold in 1946 will involve trade-in of used cars. Under OPA regulations, a dealer trading in a used car against a sale of a new car is required to allow the as is price as quoted in the used-car price ceiling regulation or the fair market value of the car. The provision of the fair-market value in the regulation does in actual application prevent a dealer from making any profit on a car handled on this basis. A number of the high priced cars must be handled on the fair-market value basis, because the average selling price on these cars is far below the as is price quoted in the OPA used-car regulation, which was established by a slide rule method.

3. *OPA still insists that the gross profit the dealer will make on used cars will offset the net loss previously sustained in the used-car department*

Under OPA regulations, the gross profit a dealer can make on a used car traded in cannot exceed a maximum of 20 percent of the selling price. From this he pays an average of 6 percent commission to salesmen and the remaining 14 percent in many cases will not more than cover the overhead in operating expenses involved in the transaction. Used-car ceiling prices as now quoted in OPA price regulation are on a high level. As new cars are produced, market prices on used cars will fall rapidly. Under present regulations there is no way a dealer can cover himself for a drop in prices during the 30- to 60-day reconditioning period now made necessary by lack of parts.

A SURVEY OPA IGNORED

Attached is a statement I made before the House Small Business Committee on November 15, 1945, demonstrating with statistics from 1,952 dealer operations the inaccuracy of OPA's position on possible dealer earnings in 1946. The figures are particularly convincing in showing how badly OPA has misjudged the coming used-car market. It is certain that there will be used-car losses in the future as there have been in the past.

It is regrettable that although OPA has had these figures for months, the agency has never used them. Instead of analyzing these accurate statistics, representing the broadest and most recent survey of dealer operations available, OPA has chosen to select a few figures of doubtful accuracy and with them try to justify its cost-absorption formula devised during the war.

Repeated statements by OPA officials designed to make Congressional committees believe that the agency has had difficulty in obtaining statistical help from NADA are not factual. As early as March 8, 1945, I appealed personally to Mr. Bowles to arrange a meeting between NADA and OPA officials so that NADA might cooperate in the making of needed surveys. At a meeting on April 4, 1945, with Deputy Administrator James F. Brownlee it was agreed that NADA should make a national survey, but our subsequent efforts to obtain guidance from OPA as to acceptable base periods, etc., were futile. We finally had to proceed without instructions. The survey continues, at great expense and effort to NADA, throughout the summer and early fall. There were numerous vexatious and unavoidable delays, but finally, on November 15, 1945, we were able to submit the results of our national survey to OPA. At that time, there had been no initial trade discount cut made, and therefore OPA had abundant opportunity to study the figures from 1,952 dealers before making any cut.

The statistics submitted clearly disprove the contention of OPA that the gross profit on used car operation in the ensuing year would eliminate the used car losses which OPA claimed had been experienced by the dealers prewar.

Further proof that OPA had the dealer figures when trade-discount slashing began follows: On November 16, 1945, a conference was held in the office of Hon. Wright Patman, chairman of the House Small Business Committee, at which time were present Messrs. Ney, Holder, Chandler, and Ketcham from the office of OPA, and Mr. Mallon, president of NADA and Mr. Sterrett, statistician of NADA. Congressman Patman presided and there were in attendance of his staff Mr. Eastwood and Mr. Deegan. At this conference the representatives of OPA, in answer to an inquiry, stated they had examined the figures which NADA had submitted and found they were in line with those that they had developed from their survey compiled from only 300 replies.

The fact is, the NADA figures proved just the opposite of what OPA now claims its 300 reports showed.

Yours very truly,

W. L. MALLON.

1864 EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942

Average dealer's profit and loss statement for the calendar years 1939-41 based on 1,952 returns compiled by International Business Machines

[Tabulations based on Nada Survey released Nov. 15, 1945]

	1939	1940	1941	3-year average
(1) New car sales.....	\$264,000	\$341,070	\$399,060	\$334,710
(2) New-car costs.....	\$208,530	\$268,316	\$311,592	\$262,813
(3) New-car gross profit.....	\$55,470	\$72,754	\$87,468	\$71,897
(4) Percent new car gross profit to sales.....	21.01	21.33	21.92	21.48
(5) Used-car sales.....	\$122,970	\$147,738	\$181,095	\$150,601
(6) Used-car costs.....	\$133,228	\$165,699	\$193,516	\$164,147
(7) Used-car gross profit loss.....	¹ \$10,258	¹ \$17,961	¹ \$12,421	¹ \$13,546
(8) Percent used-car loss to new-car sales.....	¹ 3.89	¹ 5.27	¹ 3.11	¹ 40.5
(9) Dollar gross profit retained from new-car sales.....	\$45,212	\$54,793	\$75,047	\$58,351
(10) Percent gross profit retained from new-car sales.....	17.12	16.06	1.881	17.43
(11) Gross profit other departments.....	\$28,671	\$32,908	\$39,529	\$33,703
(12) Over-all gross profit.....	\$73,883	\$87,701	\$114,576	\$92,053
(13) Total operating expense.....	\$65,282	\$76,276	\$92,068	\$77,875
(14) Total net profit.....	\$8,601	\$11,425	\$22,508	\$14,178
(15) Percent total net profit to sales ²	1.86	1.99	3.29	2.47

¹ Loss.

² Includes finance reserve earned.

Average profit and loss as compiled by International Business Machines from operating statements of 1,952 dealers for the calendar year of 1941

	Dollar sales	Dollar costs	Dollar gross profit	Percent of gross profit to total sales
New-car department.....	399,060	311,592	87,468	12.79
Used-car department.....	181,095	193,516	¹ 12,421	¹ 1.82
Service department.....	44,719	24,474	20,245	2.96
Parts and accessories department.....	53,880	39,532	14,348	2.10
Finance reserve earned.....	4,936		4,936	.72
Total departments.....	683,690	569,114	114,576	16.75
Operating expense.....			92,068	13.46
Net profit.....			22,508	3.29
Evident in 1945 and applicable to 1946 costs:				
Increase in operating expense.....			23,855	3.49
Net loss.....			¹ 1,347	¹ 1.20

Total passenger cars manufactured..... 3,642,434
 Total trucks manufactured..... 941,627

¹ Loss.

The following figures show that increases in various operating costs amount to more than any savings which could possibly be realized through reduced used car losses:

New- and used-car operations for calendar year 1941 based on returns for 1,952 dealers

	Amount	Percent of new-car sales	Per \$1,000 car
1. New-car sales.....	\$399,060	100.00	\$1,000.00
2. New-car costs.....	311,592	78.08	780.80
3. New-car gross profit.....	87,468	21.92	219.20
4. Used-car gross loss.....	¹ 12,421	¹ 3.11	¹ 31.10
5. New-car expense.....	34,857	9.73	97.30
6. Used-car expense.....	¹ 27,086	¹ 6.79	¹ 67.90
7. Other expense.....	30,125	8.55	85.50
Total expense.....	92,068	23.07	230.70

¹ OPA contends that dealers will purchase and sell used cars on a basis that will provide a margin which will offset the used-car gross loss:

	Percent
(Line 4).....	3.11
and	
Used-car operating expense (line 6).....	6.79
Total.....	9.90

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 1865

No one knows how many used cars a dealer may handle, but it is a fact that he is bound to experience a loss in a declining price market. He certainly will not be able to recoup from his used-car gross margin sufficient money to cover the operating expense of the used car department.

	Amount	Percent	Percent
The total of the above item is.....			9.90
Increase in total operating expense (25.91 percent × \$92,068).....	\$23,855	5.98	
Reduction in handling charge.....	12,954	3.25	
Depreciation of used cars due to falling prices.....	13,226	3.31	
Loss on junkers.....	2,160	.54	
50 percent reduction in finance reserve earned.....	2,468	.62	
Total.....	54,663	13.70	13.70
Loss.....			3.80

PROJECTION FOR THE CALENDAR YEAR 1946 OF AN AVERAGE DEALER'S OPERATION
 [Based on actual returns of 1,952 dealer operating statements for the year 1941, revised to reflect present-day conditions]

Statement No. 1

Average operating statement for the calendar year 1941 as reported by 1,952 dealers, same as presented to the House Small Business Committee, November 15, 1945.

Statement No. 2

Estimated operating statement for the calendar year 1946 based on—

- (a) 60 percent of 1941 sales at present-day prices.
- (b) Three used cars handled for every four new cars sold.
- (c) 10 percent volume increase in parts and service over 1941.
- (d) 50 percent reduction in finance reserve earned.
- (e) 25.91 percent increase in operating expenses reported in 1945 survey plus a 7-percent additional increase since VJ-day.

	Statement No. 1		Statement No. 2	
	Sales	Cost	Sales	Cost
New car department.....	\$399,060	\$311,592	\$272,611	\$233,201
Used car department.....	181,095	193,516	66,826	56,889
Service department.....	44,719	24,474	48,029	32,226
Parts and accessories department.....	53,880	39,532	66,815	49,029
Finance reserve.....	4,936		1,586	
Total.....	683,690	569,114	455,867	371,145
Gross profit.....	114,576		84,722	
Operating expenses.....	92,068		91,438	
Net profit.....	22,508		16,716	
Percent of net profit to sales.....	3.29		1.47	
New cars sold.....	389		233	
Used cars sold.....	599		175	

NET PROFIT IF HISTORICAL DISCOUNT AND HANDLING CHARGE OF 5 PER CENT (OF LIST PLUS FREIGHT) WERE RETAINED

Net profit.....	\$22,508		\$6,332
Percent net profit to sales.....	3.29		1.35

¹ Loss.

STATEMENT OF W. L. MALLON, PRESIDENT OF THE NATIONAL AUTOMOBILE DEALERS ASSOCIATION, BEFORE THE HOUSE SMALL BUSINESS COMMITTEE, THURSDAY, NOVEMBER 15, 1945

Administrator Bowles of OPA has presented to this committee a technicolor picture of predicted unprecedented prosperity for automobile dealers in 1946. In vivid colors, he assures record-breaking new-car production and the full realization of every dealer's hopeful dream of profits on used-car sales.

The picture as drawn largely from the imagination of the Administrator's business councilors is enticing but it fails badly in one essential respect. The factor of accuracy is glaringly absent.

The essential quality of accuracy is notably missing in connection with the Administrator's predictions on new-car production for 1946. In order to bolster up his confident prediction that dealers will have more cars to sell than they did immediately preceding the war, he reached back into an old file and got some manufacturers' forecasts made early this fall. At that time, many outstanding disturbances which now threaten to badly curtail if not actually stop the flow of new cars in coming months were not in evidence. I refer to the threatened stoppage of steel production, current and prospective, strikes among suppliers and, finally, the imminent danger of a series of strikes in the automobile factories themselves.

Fortunately for this committee, which we believe is far more interested in factual information than in unsubstantiated predictions, the National Automobile Dealers Association is able today to lay before it up-to-the-minute predictions on 1946 production from the makers of 80 percent of the passenger automobiles in the United States. In response to a wire of inquiry which Lee Moran, executive vice president of the association, sent to manufacturers on Monday of this week, every manufacturer except Ford has replied. Companies represented in these replies are General Motors, makers in 1941 of 47.32 percent of all passenger automobiles produced in the United States that year; Chrysler, 24.17 percent; Studebaker, 3.07 percent; Nash, 2.09 percent; Packard, 1.87 percent, and Willys, 0.59 percent.

This constitutes a total of 81.07 percent of production for the Nation. The actual Ford production was 18.83 percent in 1941. Miscellaneous production amounted to one-tenth of 1 percent.

Full and complete copies of the replies received are attached to this statement and I shall file them with the committee immediately upon completion of my reading. However, I shall now read the originals. They are astoundingly uniform in expression. They all say in effect:

"It is utterly impossible in the present chaotic situation for anyone to accurately estimate 1946 new-car production."

These telegrams, which are current and official and all signed by leading executives of these automobile manufacturers, furnish an unanswerable reply to Mr. Bowles' definite but fantastic statement that dealers may be assured of greatly increased new-car production next year. The wires label his forecast as plain guesswork.

The gravest and most imminent possible handicap to new-car production lies in the threatened strike in the steel industry. It is obvious to even the most casual newspaper reader that this is indeed a critical situation. If it leads to a shut-down, there is no telling when a normal supply of new cars will be available. Mr. Bowles is particularly aware of this situation because the leaders of the steel industry have told him very definitely that they will not accede to CIO demands for any increase until they have assurance from OPA that a price increase sufficient to cover any increased labor cost will be granted effective simultaneously with the signing of a higher wage rate agreement. He knew that Tuesday when he was so confidently discussing 1946 production before the committee.

Because of his intimate contacts through administration circles with the activities of union labor leaders, Mr. Bowles also knows that widespread strikes in leading automobile factories are a distinct possibility.

Shut-downs in the steel industry, automobile plants and even among suppliers might easily completely halt new car production. Common candor demands that any frank man take a position alongside the automobile manufacturers and admits that today nobody knows what is going to happen in the new-car-production field.

The same type of fantasy which is evident in Mr. Bowles' new-car-production forecast is found in his sketch of a rosy future in the used-car business. He cannot, nor can any other man, produce anything more tangible than a guess to support his assertion that dealers will not lose money on used cars in the postwar period.

Mr. Bowles has told this committee that "under present conditions dealers are not taking losses on used-car sales." It should be pointed out that under present conditions dealers are obtaining such used cars as they are able to get by outright purchase and not as trade-ins on new cars. There is a very great difference in the two types of deals. An owner who is selling a car for cash is not in the same position as a purchaser of a new car with a used car to offer as part payment.

Mr. Bowles also has made the statement that "with used cars no longer causing losses the dealer's theoretical list margin on new cars becomes his actually realized margin." This statement is based upon the wholly unjustified assumption that dealers can trade for cars at figures so low that they can be resold without loss. By this he evidently means a profit large enough to cover the abnormally heavy reconditioning costs and all other expenses incident to the handling and sale of used cars will be made. The average car on the road now is eight years old and has run 56,000 miles according to the R. L. Polk Statistical Service. Such cars are much older and worn than normal trade-ins. As long as a dealer has one used car in stock he will have used-car-department expenses.

It is a well-known fact in our trade that the dealer's experience with used cars purchased in the open market for cash is in no way comparable with his experience with used cars taken in trade as part payment on the purchase of a new car. Mr. Bowles' assumption that all trade-ins will yield dealers a profit is contrary to all past experience of the trade. It is difficult to believe that new car purchasers who have always been hard bargainers will suddenly change their traditional trading tactics and pass their old cars over to dealers at a price low enough to bring about the dealer condition so glowingly described by Mr. Bowles.

Finally, the automobile business is and always has been, a trading business. The great number of cars on the road is due entirely to that fact. Cars are traded and passed on to second owners and retraded and passed on again to third and fourth owners until finally they find their way to the junk heap. The main function of the automobile dealer has been and will be to clear these cars from one owner to another. The dealer's function distinctly is not merely to receive the shiny new cars from the factory and sell them at handsome profits to that small percentage of drivers who are new car buyers.

Mr. Bowles' statement and supporting figures assume either that this process has changed or that he proposes to change it.

The foregoing facts eliminate from consideration dealer figures for 1944 and the first 6 months of 1945 which Mr. Bowles quoted on Tuesday. During that time dealers certainly were not in their normal trading business.

Mr. Bowles would have this committee believe that in the prosperous future dealers will be permitted to bargain for used cars and pay prices for them which will assure profits. I quote Mr. Bowles in addressing your committee:

"Without new-car rationing and with the public clamoring for new cars, the man with a used car to trade in is in a weak bargaining position."

There is only one thing wrong with this statement. OPA has rigid rules and regulations controlling trade allowances on used cars by dealers which compel them to pay what OPA sees fit to call "a reasonable value." In other words, OPA proposes to continue in the future, as it has in the past, to absolutely control the prices which dealers must pay for trade-ins.

These rules and regulations are set forth in detail in sections 9 and 15 of MPR-540 and sections 20 and 23 of MPR-594 in plain language.

These regulations tie dealers' hand and foot on trade-in allowances and absolutely refute Mr. Bowles' statement regarding their freedom of trading.

Mr. Bowles in his statement to the committee referred several times to the weak position in which the trader of a used car would find himself. In taking the position that automobile dealers could avoid used car losses in a declining market, Mr. Bowles appears to have completely overlooked the fact that both the new-car price regulation, MPR-594 and the used-car price regulation, MPR-540 definitely require the dealer to give on any used car taken in trade "reasonable value." The meaning of "reasonable value" under both of these regulations is clearly defined and specifically prevents a dealer from trading a used car at his own idea of its value as Mr. Bowles has stated that he could. The dealer who takes a used automobile in trade for less than the as-is ceiling price, less the estimated cost of reconditioning, is in constant danger of prosecution by the customer with the aid of OPA or by the OPA itself.

During the past year and a half, NADA has received many distressing reports of the activities of local OPA price executives who have brought charges against automobile dealers that they have failed to give a "reasonable value" for the car taken in trade.

In the two areas, OPA investigators claimed that a dealer was obliged to allow as-is ceilings with no deductions for reconditioning. Complaints to the national office of OPA by NADA bearing on this matter resulted in a definition of the meaning of "reasonable value" as now embodied in these regulations.

The fair value of a used automobile can be determined only at the time of sale and can apply only to the individual automobile being sold—it cannot be determined at a later date by an OPA investigator through an examination of the books of the dealer.

1868 EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942

NADA is submitting these facts regarding new-car production and used-car possibilities, along with other statistical facts including reports from 1,952 dealers on costs, to this committee for study. We have striven diligently over the past 6 months to obtain these figures in the hope that OPA would use them, as promised, before making a decision in the threatened cut of dealers' trade discounts. It is regrettable that OPA has not seen fit to use our figures, but we have confidence that they will be helpful to this committee in arriving at conclusions in connection with the dealer's situation. They also should prove helpful to other congressional committees as time goes on and other studies are made into the manner in which OPA arrives at decisions which affect the whole future of small businesses.

Average dealer's profit and loss statement for the calendar years 1939-40-41 based on 1952 returns compiled by International Business Machines

	1939	1940	1941	3 year average
1 New car sales	\$264,000	\$341,070	\$399,060	\$334,710
2 New car costs	\$208,530	\$268,316	\$311,592	\$262,813
3 New car gross profit	\$55,470	\$72,754	\$87,468	\$71,897
4 Percent new car gross profit to sales	21.01	21.33	21.92	21.48
5 Used car sales	\$122,970	\$147,778	\$181,095	\$150,601
6 Used car costs	\$133,228	\$165,699	\$193,516	\$164,147
7 Used car gross profit loss	¹ \$10,258	¹ \$17,961	¹ \$12,421	¹ \$13,546
8 Percent used car loss to new car sales	3.89	5.27	3.11	4.05
9 Dollar gross profit retained from new-car sales	\$45,212	\$54,793	\$75,047	\$58,351
10 Percent gross profit retained from new-car sales	17.12	16.06	18.81	17.43
11 Gross profit other departments	\$28,671	\$32,908	\$39,529	\$33,703
12 Overall gross profit	\$73,883	\$87,701	\$114,576	\$92,053
13 Total operating expense	\$65,282	\$76,276	\$92,068	\$77,875
14 Total net profit	\$8,601	\$11,425	\$22,508	\$14,178
15 Percent total net profit to total sales ²	1.86	1.99	3.29	2.47

¹ Denotes loss.

² Includes finance reserve earned.

Average profit and loss as compiled by International Business Machines from operating statements of 1,952 dealers for the calendar year of 1941

	Dollar sales	Percent of total sales
New car department	399,060	58.37
Used car department	181,095	26.49
Service department	44,719	6.54
Parts and accessories department	53,880	7.88
Finance reserve earned	4,936	.72
Total departments	683,690	100.00
	Dollar costs	Percent of total sales
New-car department	311,592	45.58
Used-car department	193,516	28.30
Service department	24,474	3.58
Parts and accessories department	39,532	5.78
Total, departments	569,114	83.24
	Dollar gross profit	Percent of total sales
New-car department	87,468	12.79
Used-car department	¹ 12,421	1.82
Service department	20,245	2.96
Parts and accessories department	14,348	2.10
Finance reserve earned	4,936	.72
Total, departments	114,576	16.75
Operating expense	92,068	13.46
Net profit	22,508	3.29
Evident in 1945 and applicable to 1946 costs:		
Increase in operating expense	23,855	3.49
Net profit loss	¹ 1,347	1.20
Total passenger cars manufactured		3,642,434
Total trucks manufactured		941,627

¹ Loss.

NOTE.—Average number of units, 389.

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 1869

New- and used-car operations for calendar year 1941 based on returns for 1952 dealers

	Amount	Percent of new-car sales	Per \$1,000 car
1. New-car sales	\$399,060	100.00	\$1,000.00
2. New-car costs	311,592	78.08	780.80
3. New-car gross profit	87,468	21.92	219.20
4. Used-car gross loss	¹ 12,421	¹ 3.11	¹ 31.10
5. New-car expense	34,857	9.73	97.30
6. Used-car expense	¹ 27,086	¹ 6.79	¹ 67.90
7. Other expense	30,125	8.55	85.50
Total expense	92,068	23.07	230.70

¹ OPA contends that dealers will purchase and sell used cars on a basis that will provide a margin which will offset the used-car gross loss:

	Percent
(Line 4)	3.11
and	
Used-car operating expense (line 6)	6.79
Total	9.90

No one knows how many used cars a dealer may handle, but it is a fact that he is bound to experience a loss in a declining price market. He certainly will not be able to recoup from his used-car gross margin sufficient money to cover the operating expense of the used-car department.

	Amount	Percent	Percent
The total of the above item is			9.90
Increase in total operating expense (25.91 percent times \$92,068)	\$23,855	5.98	
Reduction in handling charge	12,954	3.25	
Depreciation of used cars due to falling prices	13,226	3.31	
Loss on junkers	2,160	.54	
50 percent reduction in finance reserve earned	2,468	.62	
Total	54,663	13.70	13.70
			-3.80

Average profit and loss as compiled by International Business Machines from operating statements of 1,000 dealers

	1939		1940		1941		3-year average	
	Sales	Cost	Sales	Cost	Sales	Cost	Sales	Cost
New-car department	\$257,621	\$202,141	\$337,096	\$263,341	\$392,750	\$304,232	\$329,156	\$256,572
Used-car department	127,158	137,921	152,202	171,337	186,328	199,492	155,229	169,583
Service department	32,192	16,955	36,152	19,151	43,663	23,437	37,336	19,848
Parts and accessories department	41,070	30,397	45,454	33,088	55,219	40,520	47,248	34,668
Finance reserve	3,527		4,518		5,285		4,443	
Total	461,568	387,414	575,422	486,917	683,245	567,681	573,412	480,671
Gross profit	\$74,154		\$88,505		\$115,564		\$92,741	
Operating expense	\$66,663		\$77,802		\$93,731		\$79,399	
Net profit	\$7,491		\$10,703		\$21,833		\$13,342	
Percent net profit to sales	1.62		1.86		3.19		2.33	
New cars sold	277		352		382		337	
Used cars sold	474		562		620		552	

1870 EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942

Average profit and loss as compiled by International Business Machines from operating statements of 1,952 dealers

	1939		1940		1941		3-year average	
	Sales	Cost	Sales	Cost	Sales	Cost	Sales	Cost
New-car department.....	\$264,000	\$208,530	\$341,070	\$268,316	\$399,060	\$311,592	\$334,710	\$262,813
Used-car department.....	122,970	133,228	147,738	163,699	181,095	193,516	150,601	164,147
Service department.....	32,544	17,633	36,479	19,921	44,719	24,474	37,914	20,676
Parts and accessories department.....	39,802	29,293	44,518	32,416	53,880	39,532	46,087	33,747
Finance reserve department.....	3,191	-----	4,248	-----	4,930	-----	4,125	-----
Total.....	462,537	388,684	574,053	486,352	683,690	569,114	573,437	481,383
Gross profit.....	73,883	-----	87,701	-----	114,576	-----	92,054	-----
Operating expense.....	65,282	-----	76,276	-----	92,068	-----	77,875	-----
Net profit.....	8,601	-----	11,425	-----	22,508	-----	14,179	-----
Percent net profit to sales.....	1.86	-----	1.99	-----	3.29	-----	2.47	-----
New cars sold.....	279	-----	357	-----	389	-----	342	-----
Used cars sold.....	468	-----	542	-----	599	-----	533	-----

Because of certain statements which have been made before this committee in the last few days, and more particularly because of facts which have not been brought out, it now is necessary for me to refer to certain contacts I have had personally with Mr. Bowles and members of his staff. Those contacts were made in a futile effort to induce OPA to make a thorough study of the dealer situation and also permit dealer representatives to be heard on the subject of trade discounts.

An effort has been made before this committee to leave the impression that NADA has from the adoption of the OPA price formula sought to claim absolute exemption from any price adjustment. This is not a statement of fact. What NADA has contended and contends now is that the retail automobile trade, by virtue of having been without new cars for almost 4 years, presents a special case which should receive thorough study by OPA and special consideration in the imposition of a pricing formula.

NADA officials were encouraged to believe by statements of OPA officials early this year that special consideration would be given to particular distress cases. It was to arrange for such a special study of our case that I called in person on Mr. Bowles on March 8, 1945, and the subject of pricing in the reconversion period was discussed.

My impression gained from that conversation was that certain industries were entitled to special consideration. As a result, under date of March 16, 1945, I wrote him a letter confirming this impression and asking that he take immediate steps to give representatives of the retail automobile industry an opportunity to confer with OPA officials before issuing any regulations affecting new-car dealers.

I especially asked that representatives of the dealer be permitted to appear because I was aware that the dealers advisory committee which OPA had set up was, on account of OPA regulations and limitations, being used largely as a technical advisory committee.

MARCH 16, 1945.

Mr. CHESTER BOWLES,
*Administrator, Office of Price Administration,
 Washington, D. C.*

DEAR MR. BOWLES: I certainly appreciate the time you accorded me for our little talk at the get-acquainted meeting on March 8.

I have read with much interest Mr. Brownlee's statement, as released March 12, OPA 5395, pertaining to the pricing policy of OPA in the reconversion period.

You spoke of this problem during our conversation and I recall you expressed the thought that it would be necessary to consider certain industries individually, in the application of the over-all yardstick, and make exceptions where conditions warranted.

I feel that the retail automobile industry, members of which are generally restricted in their operation to one or two makes of cars, and which industry has received no new merchandise since January 1942, are rightly entitled to careful and special study. The facts pertaining to such merchants would be decidedly different from those pertaining to merchants handling multiple lines of merchandise.

would appreciate having your assurance that the retail automobile industry will have ample opportunity of conferring with representatives of OPA, prior to the issuance of any regulations to apply in the reconversion period. It is important that these conferences commence promptly, and I suggest the week of March 26.

Yours very truly,

NATIONAL AUTOMOBILE DEALERS ASSOCIATION,
WILLIAM L. MALLON, *President*.

On March 24, 1945, Mr. Bowles replied to my letter in a manner which led me to believe, as my conversation with him had, that he was in full accord with my views regarding a thorough and special study of the dealer situation, and was quite willing that dealers be heard. Mr. Bowles wrote me as follows:

MARCH 24, 1945.

Mr. WILLIAM MALLON,
Newark 2, N. J.

Dear Mr. MALLON: I acknowledge your letter of March 16.

It seems appropriate that this Office should comply with your request and arrange for prompt consultation with representatives of your industry regarding our pricing policy with respect to distributors and dealers. I assume that it will be agreeable to you if we arrange such consultation with the industry advisory committee that has been working with this Office on other pricing problems affecting the automobile dealers. I will instruct the Machinery Branch to immediately get in touch with the chairman of the industry advisory committee and arrange for a meeting as soon as possible.

I doubt, however, if the arrangements can be made for the week of March 26, since we should allow a reasonable time for the members to arrange their appointments and secure travel reservations.

Sincerely,

CHESTER BOWLES, *Administrator*.

A meeting was called for April 4, and I was invited to be present. Naturally, I thought in the light of my cordial conversation with Mr. Bowles and his letter of acceptance to my proposal that I as president of NADA was to be permitted to present the national dealer viewpoint at the meeting. But this was not the case. Upon my arrival at the meeting, I was taken aside by Mr. Walter Shoemaker, acting price executive of the OPA Machinery Branch, and advised with much emphasis that while I had been invited as an observer, I had no rights at the meeting and under no circumstances would I be heard. This astounding position by Mr. Shoemaker, which obviously reflected the orders of his superiors, caused quite an argument, but Mr. Shoemaker stood firm on his original decision. Eventually, when a quorum of the advisory committee failed to appear, Mr. Shoemaker said that I might talk if I liked but that my remarks would have no official standing. Of course, I offered no formal statement.

We were very anxious to get as many accurate statistics before the OPA and the Administrator as possible and eventually we worked out a program for giving them our figures. On the invitation of OPA on July 30, 1945, I attended a meeting of the OPA officials and the industry advisory committee in Chicago and submitted a preliminary report on our statistical work and further advised OPA that we would have more figures and statistics just as rapidly as they could be gathered and compiled. Before we had completed the 1,952 compilations which I am submitting to your committee today, OPA called a meeting for October 31, on 5 days' notice, at which the advisory committee was told that dealers' discounts would be cut from 24 percent to perhaps as low as 11 percent.

Throughout the period when NADA was engaged in this effort to get a thorough study of the situation made, NADA representatives were being constantly advised by congressional leaders of OPA's repeated assurances verbally and in writing that it would advise Congress before putting a trade discount into effect. OPA did not keep its promise.

The fact is that OPA advised neither dealers nor Congress before drafting its discount cut plan. It was only by accident that NADA learned shortly before October 31 that OPA had drafted its discount plan and was ready to put it into effect. Quite naturally, in the face of this OPA violation of faith with both dealers and Congress, there was nothing for the dealers to do but appeal to your committee to grant us a hearing and to their representatives in Congress to attend this hearing and learn the facts. That is all the dealers ever did. For that action, which we are proud to say demonstrated emphatically that Members of Congress

are interested in the dealer welfare, NADA offers no apology. It is unfortunate that Administrator Bowles was disturbed by receipt of telegrams and telephone calls, but at no time has NADA requested anyone to communicate with Mr. Bowles, so his annoyance in this regard cannot be charged to NADA.

Mr. Bowles in his prepared statement to your committee and later under questioning by members of your committee stated emphatically that OPA could not make exceptions to their policy of cost absorption. On page 2 of the Bowles statement these words are recorded:

"There is only one thing that I and my associates can do and that is to carry out our legal responsibility. We shall do what Congress and the President ordered us to do.

"We shall continue to hold the price line and require cost absorption within reasonable limits for all industries and trades, including automobile dealers.

"Under our clear orders we have had no choice but to do what we are doing."

In replying to questions from the committee, Mr. Bowles stated in effect that OPA had no choice in this matter and that the requirement of equality of treatment would compel them to abandon cost absorption for all trades and industries if an exception were made in the automobile passenger car retailing business.

We wish to point out to the committee that during the past few months price orders allowing increases in the retail price of farm machinery, motorcycles, and trucks have been issued and that under these orders the retailers were permitted their historic normal mark-up, plus handling charges which were in effect in their base period of March, 1942.

We submit these reports from almost 2,000 dealers confident that they will present a much more accurate picture of the dealer situation than the reports from 300 dealers upon which OPA seeks to justify its proposed discount cut. It should be borne in mind that while these 2,000 dealer reports have cleared through NADA, the compilations from them have been made by the International Business Machine Corp. Therefore, there can be no question as to the accuracy of the reports just as they came from the dealers.

I desire particularly to emphasize again the dealer contention that a study of 300 dealer reports representing 1 percent of the industry cannot be called fair by any stretch of the imagination. Testimony given here by Administrator Bowles and his assistants shows conclusively that they have not made a thorough study of the dealer situation. Further, this fully justifies the earnest plea which NADA has been making for many months to OPA for a thorough study. The very fact that it has been admitted here that on one occasion OPA officials insisted that reports from 54 percent of oil producers of the country were too few to be "representative" demonstrates that OPA has no fixed formula for making trade surveys.

Almost equally faulty is the OPA method used in arriving at manufacturers' costs. The decision to inflict a discount rate cut on 100 percent of the dealers of the Nation is admitted by OPA to have been based on studies of the Ford, Studebaker, and Packard costs. Since these three manufacturers in 1941 produced only 23.77 percent of the automobiles in the United States, and not 30 percent as stated by Mr. Bowles, there is neither justice nor fairness in this action. OPA should have made manufacturer cost studies of all manufacturers before inflicting discount cuts on the entire dealer trade. Either of two companies, General Motors or Chrysler, produce more cars than the three companies which OPA has used as a base. General Motors produces twice as many cars as the three, and Chrysler just slightly more than the three.

Apparently Mr. Bowles was determined Tuesday to impose his trade discount cut on the dealers of the country before this committee has had time to examine the figures which we now are submitting. This is to be deplored, and I hope that in common fairness he will not exercise too great haste. After all, the interests of 32,000 dealers should have as much consideration as those of three manufacturers.

NADA believes with Chairman Patman of this committee that Congress never intended to give Administrator Bowles the right to change trade discounts or alter established business practices. As the Member of Congress who drew this particular section of the bill, Chairman Patman should know what he is talking about. The fact that some courts have upheld the Administrator's contention that this section of the law does not mean what it says so clearly, does not alter NADA's view that some way should be found to prevent Mr. Bowles from reading a meaning into the law which Congress did not have in mind. NADA believes that if this part of the law cannot be made effective by judicial interpretation, then that law should be changed. With the assistance of its friends in business and in Congress, NADA proposes to endeavor to see that the law is changed so that it will operate as Congress originally intended that it should.

The 32,000 active dealers in the United States and the 10,000 or more former dealers who would like to reenter business, are gravely apprehensive as to how this proposed discount cut action might work out. With billions of dollars of increases in wages and other expenditures being proposed and approved by OPA and other administration groups, it is impossible for dealers to believe that keeping the dealer discount rate at 24 percent would set off an inflationary powder keg which Mr. Bowles insists he can foresee. The fact is that keeping the discount at 24 percent would mean a total of only about \$160,000,000 additional in gross receipts to dealers in normal production year. This is exactly the amount dealers have planned to extend for new shop machinery and which under the OPA plan they probably will not be able to spend. It is small indeed, compared with a national income of \$160,000,000,000 estimated by the Department of Commerce for the year 1945.

Dealers everywhere feel resentful over OPA's under-cover methods in dealing with the trade discount situation. They do not feel that a fair study of the facts was made, nor that OPA always acted in good faith. They further feel that this committee and Members of Congress on both sides of the Capitol now have a full appreciation of the trade discount situation and are sympathetic with the dollar position. Hence, the dealers are confident that Congress will watch any developments in the situation with interest. There will be developments. OPA cannot upset the traditional trade practices of a business which has representatives in every county of the United States without causing repercussions.

The dealers of the country appreciate the help that this committee has given them in getting before the public and Congress a full statement of their problem. They never have doubted that once they could get their full story told they would be on their way to a restoration of the earnings to which they are entitled. Your sympathetic attitude in this hearing has encouraged us to continue our fight with the utmost possible vigor. That is just what we intend to do.

DETROIT, MICH., *November 12, 1945.*

LEE MORAN,
*Executive Vice President, National Automobile Dealers Association,
1026 Seventeenth Street NW., Washington, D. C.:*

Your telegrams Messrs. Eddins, Wallace, and Bleicher we are not now able forecast new car production.

CHRYSLER CORP.-VANDERZEE.

DETROIT, MICH., *November 12, 1945.*

LEE MORAN,
*Executive Vice President, National Automobile Dealers Association,
Washington, D. C.:*

Labor disturbances in many lines of manufacture are so uncertain as to their outcome that it is impossible at this time to accurately forecast new car-production for the balance of this year and certainly for next year. Strikes are tying up ball and roller bearings and glass, major items in automobile manufacture. If these strikes were cleared up many others would hamper production.

PACKARD MOTOR
J. H. MARKS,
Executive Vice President.

DETROIT MICH., *November 12, 1945.*

LEE MORAN,
*Executive Vice President, National Automobile Dealers Association,
Washington, D. C.:*

Retel current labor and material situations make accurate forecasts on new-car production impossible.

STUART G. BAITS,
*Vice President and Assistant General Manager,
Hudson Motor Car Co.*

SOUTHBEND, IND., *November 13, 1945.*

LEE MORAN,
*Executive Vice President, National Automobile Dealers Association,
1026 Seventeenth St. NW., Washington, D. C.:*

We cannot accurately forecast new-car and truck production for balance this year because of present uncertainties regarding receipt of component parts from

1874 EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942

our suppliers if present uncertainties continue to prevail in 1946. It will be equally impossible accurately to forecast volume of new-car production for 1946. If no production interruptions occur in 1946 we would expect to reach a production level on cars and trucks beginning sometime during the second quarter of next year at double our 1941 production rate.

PAUL G. HOFFMAN,
President, Studebaker Corp.

DETROIT, MICH., *November 12, 1945.*

LEE MORAN,
*Executive Vice President, National Automobile Dealers Association,
Washington, D. C.:*

Retel Mason regret unable forecast new-car production remainder this year or 1946.

H. C. DOSS,
Vice President and General Sales Manager, Nash Motors.

WASHINGTON, D. C., *November 13, 1945.*

LEE MORAN,
*Executive Vice President, National Automobile Dealers Association,
1026 Seventeenth Street NW., Washington, D. C.:*

Forecasts of automobile production for the year 1946 are difficult to make on account of difficulty in obtaining materials and work stoppages on account of strikes. For example our production to date is only 17,000 cars, or fewer than we expected to produce in the month of September. Production is currently limited by strikes of suppliers, and the building up of production is taking longer than was expected. Our expected capacity for the year 1946 should be substantially the same as for 1941, as it is clear now that additional capacity resulting from the construction of new facilities will not be available until the latter part of 1946. Too late to be used in the production of 1946 model cars. Whether our production of 1946 will be as great as in 1941 will depend on the availability of necessary raw materials and the peaceful solution of labor troubles.

C. E. WILSON,
President, General Motors Corp.

DETROIT, MICH., *November 13, 1945.*

LEE MORAN,
*Executive Vice President, National Automobile Dealers Association,
Washington, D. C.:*

Retel impossible to forecast our 1945 production due to supply problems.

CHARLES E. SORENSEN,
President, Willys Overland Motors, Inc.

NATIONAL AUTOMOBILE DEALERS ASSOCIATION,
Washington 6, D. C., May 13, 1946.

HON. ROBERT F. WAGNER,
*Chairman, Senate Banking and Currency Committee,
Washington, D. C.*

MY DEAR MR. CHAIRMAN: This letter is written in rebuttal to Administrator Paul Porter's letter to your committee commenting on my testimony before you on May 2, 1946.

I regret exceedingly that NADA's representatives were not given the opportunity to comment on Mr. Porter's testimony as Mr. Holder of OPA was permitted to interrupt and comment on my statement. Had we been offered this opportunity, we could have readily proven, either by Mr. Porter's own admissions or by incontrovertible documentary evidence the following:

1. That the OPA personnel, now formulating and administering retail automobile cost absorption policies, is absolutely without practical experience in this field.

2. That the grounds upon which OPA seeks to justify its dealer cost absorption cuts are wholly inadequate. The surveys cover less than 1 percent of the field. Nowhere, in Mr. Porter's letter or anywhere else, does OPA take into consideration either the increased cost of doing business nor the total volume of sales in the Nation. Such inescapable costs as 25.91 percent increased operating expenses, 50 percent loss in financial reserve, increased loss on junkers, decreased used and new car sales are absolutely ignored. Every report on dealer sales

during the war years has been based on percentages, or other meaningless comparisons. Not one single sound, acceptable, standard statement of national dealer operations on a dollar basis has ever come out of OPA during its entire existence.

3. That no OPA survey, including those set forth in Mr. Porter's letter, ever has shown national dealer operating results for 1942-43, the two most disastrous years in the war period.

4. That unquestioned and readily available official reports on national dealer mortalities, new-car sales, and used cars junked in 1942-45 are studiously avoided by OPA because inclusion of these figures in their reports would wreck every OPA claim of widespread dealer prosperity during the war.

5. That official records of the House Small Business Committee show that the complete NADA survey reports, which OPA insists it has been unable to obtain from NADA, were transmitted to that agency through the House committee on November 15, 1945, and OPA acknowledged receipt of them.

6. That the OPA theory that dealers will not sustain used-car losses during 1946 is based solely on guesswork and nowhere, at any time, has OPA produced one scintilla of convincing proof of this claim.

7. That every prediction OPA has made about new-car production for 1946 has proven highly erroneous and neither Administrator Porter nor anyone else connected with the agency today can predict future manufacturers' production or dealers' earnings with the slightest certainty.

8. That OPA has persistently refused to recognize changed trade conditions due to strikes, material shortages, etc., since setting its original cost-absorption formula in 1945.

9. That the actual increase over the December 1, 1941, price of a \$1,000 car under the Crawford amendment would be only \$52, and not \$85 as OPA would have the committee believe. In quoting a suggested \$85 raise, OPA is including a \$33 handling-charge reduction which it has secretly inflicted on dealers in addition to their 4½-percent trade discount cuts. Thus OPA has brought the price \$33 below the 1942 level at the expense of the dealers.

10. That the Crawford amendment resulted from exhaustive studies by both the House Small Business Committee and the House Banking and Currency Committee of OPA's control of retail automobile dealer affairs. The House simply decided that OPA had mishandled the situation so badly that legislation alone would put the trade back into a position to do the most effective work.

11. That OPA in the past has found it advisable to restore truck trade discounts and never has inflicted cost absorption on farm machinery. Hence, it follows that a 6-month moratorium on cost absorption in the similar field of automobiles, as proposed by the Crawford amendment, would not prove disastrous. It probably would, as dealers believe, prove very beneficial in putting the trade back on its feet and greatly increase service to the public.

INEXPERIENCED MEN MAKE AUTO POLICIES

The question of the qualifications of OPA personnel now handling dealer problems and who actually is handling them has been badly misrepresented to this committee.

Initially, the statement that I ever questioned the ability of Mr. Jo. Roberts is unqualifiedly false. Mr. Roberts was the last able and experienced retail automobile dealer entrusted with our problems at OPA. I so testified before the House Banking and Currency Committee on March 26, 1946. However, Mr. Roberts resigned on November 30, 1945. His resignation followed his blunt statement in the presence of OPA officials and myself that the slash in dealer handling charges was without justification.

Mr. Porter's attempt to make it appear that W. V. Harrington, a former dealer, whom we know well, is assisting in formulating OPA dealer policies is misleading in the extreme. Mr. Harrington is employed in a clerical capacity at OPA, and has never sat in any of our OPA-NADA meetings. Likewise, Messrs. Woodside, Wood, and Olson, who, Mr. Porter would have the committee believe, are retail automobile experts passing on our problems, are unknown to me or any other NADA official. They, too, we understand are minor employees.

The two OPA officials in active control of dealer affairs are Messrs. F. C. Holder and Bruce R. Morris. Holder, director of industrial manufacturer and material pricing, is the man to whom I referred in my testimony as a former auto radiator factory employment manager. He never had a single day's experience as a retail automobile dealer, yet he passes daily on our biggest problems. Mr. Morris, a

former chain-store employee, told me himself, when he became price executive of the automobile branch of OPA last fall, that he knew absolutely nothing about the automobile business.

This will give the committee a fair idea of how the interests of more than 30,000 dealers of the country are being entrusted to inexperienced hands. You will search in vain for the names of Messrs. Holder and Morris in Mr. Porter's list of experienced auto men in his agency. Yet they are the two who are making and executing major dealer policies today.

COMMENTS ON OPA TABLES

Table I. Summary of Over-all Sales, Expenses, and Profits of Automobile Dealers, 1936-45. (Note that the years 1942 and 1943 are omitted.)

The percentages shown in this table are meaningless from the standpoint of comparing the war years of 1944-45 with the years prior to the war. For example, the percentage of increase in net profit to sales, as shown in this table, was from 1.32 percent in 1939 to 9.31 percent in 1945. This represents an increase of 600 percent percentage-wise. However, dollar-wise (after all it is dollars that count and not percentages) these profits most certainly were drastically reduced in dollars in view of the fact that only 7,676 cars were sold in 1945 as compared with 3,000,000 vehicles in 1939.

I would certainly rather have a 1 percent return on a \$1,000,000 sales volume, which is a net profit of \$10,000 rather than a 10 percent return on a \$1,000 sales volume, which is only \$100.

Table II. Dealers' Sales and Profits for Selected Years.

Here again it is not possible to understand the meaning of these figures due to the fact that the table fails to show whether the average profit per dealer is gross or net. No figures given for 1942-43.

Table III. Summary of Vehicle Operations of Automobile Dealers for Selected Years (Percent to Sales).

Here again the figures for 1944 and 1945 are not comparable with the prewar years as shown in this table.

Attention again is called to the fact that no figures are given for 1942 and 1943.

Table IV. Comparable Finance Statistics of Dealers, 1934-39, for New-and Used-Car Departments Only

The figures presented in this table are obtained from surveys made by the National Automobile Dealers Association during the respective years. These were cursory trade surveys for the purpose of indicating trends and are wholly inadequate for use in determining average dealer profit.

Page 6. Federal Trade Commission figures appearing on this page.

These percentages were developed from surveys made on meager spot checks and are not of sufficient value to carry weights in the present situation.

Table V. Average Dealer Profit and Loss Statement for the Calendar Years 1939, 1940-41 Based on 1,952 Returns (Source NADA's Survey).

This table represents the actual figures reported by 1,952 dealers for the 3 years mentioned. OPA points to the fact that the figures in this table disclose losses on used cars and states it generally confirms its findings of "realized" margin.

They fail to include an accompanying table we presented in which we applied the weighted average increase in expense of 25.91 percent. Addition of this disclosed a net loss of 0.20 percent.

OPA HAS THE NADA FIGURES

In his letter to your committee Mr. Porter said—

"The OPA has repeatedly requested the NADA to make this study available to OPA for analysis in order to test accurately the validity of the results of its own analysis. This has not yet been done. Requests were made orally immediately after it was known such a study existed. Later the request was made in writing. Copies of the correspondence are reproduced below."

The summary of the survey referred to was presented at a hearing before the House Small Business Committee, November 15, 1945. The following is an excerpt from page 1564 of the official report of the hearings House Resolution 64:

"Mr. MALLON. Mr. Charles A. Sterrett. He is the statistician of the National Automobile Dealers Association. He has laid on the table there in that bundle the originals of the answers that we have received in reply to the questionnaires

which we presented to our membership. There are 1,952 there; they are keyed, and the individual dealer can be identified through Mr. Sterrett, if necessary, to aid the committee. Otherwise, they are numbered and there is a certification which every dealer has signed as to the correctness of the statement."

"From those 1,952 answers we have compiled a summary and certain other data, which we have included in this statement."

"The first one shows the average dealer's profit and loss statement for the calendar years 1939, 1940, and 1941, based on 1,952 returns compiled by the International Business Machines Corp."

Later, as recorded on page 1577 of this same official report of the proceedings, when Chairman Patman inquired if any OPA official desired to ask me any questions, Mr. Jerome M. Ney, Deputy Administrator for OPA, replied:

"Mr. Chairman, at this point I do not think we desire to offer any rebuttal to what Mr. Mallon has said. We are studying the figures; they have been sent to our office and they will be worked on constantly for the next few hours."

Thereafter, the figures never were questioned by OPA. In fact, no reference was made to them until, on March 25, 1946, Mr. Porter wrote me at my Newark, N. J., office asking that I send him the figures. He distinctly left the impression that he desired to study them in connection with the then pending threatened additional dealer discount. I did not receive this letter until March 29, but when I did, I promptly replied that the figures would be supplied. That evening, after my letter was mailed, I heard over the radio that Mr. Porter had announced the additional trade discount cut.

Mr. Porter having rendered his decision, naturally, I did not bother to send him a duplicate set of our figures. He still has the originals if he desires to refer to them.

On May 7, 1946, NADA submitted an additional statement addressed to the Honorable Robert F. Wagner, chairman, copies of which were delivered to all members of the Senate Banking and Currency Committee. On page 5 of this letter, the following statement appears:

"Further proof that OPA had the dealer figures when trade discount slashing began follows: On November 16, 1945, a conference was held in the office of Hon. Wright Patman, chairman of the House Small Business Committee, at which time were present Messrs. Holder, Chandler, and Ketcham from the office of OPA, and Mr. Mallon, president of NADA, and Mr. Sterrett, statistician of NADA. Congressman Patman presided and there were in attendance of his staff Mr. Eastwood and Mr. Degan. At this conference the representatives of OPA, in answer to an inquiry, stated they had examined the figures which NADA had submitted and found they were in line with those that they had developed from their survey compiled from only 300 replies."

No request was made by OPA at that time nor at any time since for the detailed data contained in the 1,952 answers.

The NADA figures quoted in OPA's table are misleading, due to the fact that they only partially represent the figures we included in our table. This table proved the fallacy of OPA's claim that the saving on used-car trades would offset the losses.

Table VII. Dealer Margins Remaining After 4½ Percent Absorption Factor Taken.

These figures are correct as far as they go. OPA neglects, however, to mention the additional 3 percent, which they have secretly deducted in the handling and delivery charge. This makes a total of 7½ percent reduction and not 4½ percent, and reduces the figures quoted in the second column by an additional 3 percent.

Table VIII. Gross Margin and Operating Expenses of Dealers for Selected Years.

These percentage figures are meaningless, due to the fact that the dollars-and-cents volume is not taken into consideration. You cannot compare the reduced volume in 1944 and 1945 with prewar years.

Attention is called to the fact that the years 1940, 1942, and 1943 are omitted.

Administrator Porter questions a statement I made to the effect that car buyers were willing to meet any reasonable extra costs to insure his dealer a fair profit and a chance to return his service to a prewar level. Of course, my statement was not the result of a wide survey, but was merely intended to reflect impressions we had received from dealers around the country. Since I made

that statement, however, there have arrived at NADA headquarters two petitions addressed to Senators Brooks and Lucas, of Illinois, asking them to use their good offices to obtain adoption of the Crawford amendment. The petitions are signed by 1,500 prospective car buyers in Peoria, Alton, Edwardsville, and other Illinois cities. These petitions, we are advised, represent a voluntary movement on the part of car owners to help speed up dealers' operations.

Very truly yours,

W. L. MALLON.

STATEMENT OF IVAN D. CARSON, DEPUTY ADMINISTRATOR FOR RENT, OFFICE OF PRICE ADMINISTRATION, MAY 13, 1946

THE EVICTION PROBLEM

The most important problem of rent control today is the control of evictions. Always a major problem, its importance has greatly increased during recent months. As a result of the increasing shortage of housing and the rising volume of residential real-estate sales, the number of eviction cases handled by local rent offices has shown a marked rise. According to a recent survey by the Bureau of Labor Statistics and the Bureau of the Census, substantial shifts from tenancy to owner-occupancy since April 1940, were reported in 122 cities, mostly war-production centers.

For the period between April 1940, and late 1945, half of the cities surveyed showed an increase of 28 percent or more in the proportion of all dwelling units occupied by owners. One-fourth of the cities reported increases in home ownership of 21 percent or less, while another fourth reported percentage gains of more than 36 percent. Eight cities experienced gains of more than 50 percent in the ratio of homes occupied by owners. Cities in the Southeastern States showed the largest increase, 34 percent; the smallest, 16 percent, was found in the Mountain States. In general, cities of less than 100,000 population disclosed greater gains in owner-occupancy than did larger cities.

This increase in home ownership was not limited to war production centers such as these 122 cities. A Nation-wide survey of all nonfarm areas in the United States made by the Bureau of the Census revealed that between April 1940, and October 1944, the proportion of dwellings occupied by owners rose from 41 to 47 percent, an increase of 15 percent.

This change, which affected hundreds of thousands of dwellings, occurred during a period when construction of new homes was curtailed. Therefore, much of the increase came about by sales which removed dwellings from the rental market.

Statistics on the number of eviction certificates issued to permit a purchaser to evict the present tenant bear out this upward trend. During the first 3 months of 1946, almost 75,000 such eviction certificates were issued as compared with 49,600 in the corresponding period of 1945. The number of certificates issued in March 1946 was 58 percent higher than March 1945.

Several months ago OPA officials noted the beginning of this sharp upward trend in evictions and also learned of an increasing number of side payments of over-ceiling rents or bonuses to landlords to prevent eviction. Both these trends were a direct result of increasing pressures in the housing market, resulting from returning veterans and others seeking more adequate quarters for their families. If allowed to continue without restriction, these practices would result in a total break-down of rent control.

Section 2 (d) of the Emergency Price Control Act, provides in part that the Administrator may regulate or prohibit renting or leasing practices relating to recovery of possession which in his opinion are equivalent to or are likely to result in rent increases inconsistent with the purposes of the act. OPA accordingly amended the rent regulations in September 1945, authorizing area rent directors to increase from 3 months to 6 months the waiting period before a purchaser could commence eviction proceedings in the local courts against the tenants of his newly acquired property. It was felt at that time that in most areas, 3 months was an inadequate time for the tenant to obtain alternative accommodations. This opinion is substantiated by the fact that the local rent directors in 440 out of the 507 defense-rental areas have required the 6-month waiting period. In 67 areas where the situation is less critical, the 3-month waiting period was deemed adequate.

In authorizing the longer waiting period, the rent regulations were amended to provide that in the case of a purchaser who is a veteran desiring occupancy for his own family, the usual waiting period may be waived or reduced. There also seems to be an upward trend in the number of such waivers granted. In February 1946, 38 percent of the eviction certificates granted provided less than the maximum waiting period—an increase from 26 percent in December 1945. This increase is doubtless due in large part to the increase in the percentage of veterans included in those who are purchasing homes. A detailed study of the reasons for granting eviction certificates conducted during February in a representative group of 14 defense-rental areas showed that 39 percent of the certificates issued for occupancy by a purchaser were issued to veterans, and 61 percent to non-veterans.

At the time the amendment increasing the waiting period in most areas from 3 to 6 months was issued, it was charged that it would cripple the sales of tenant-occupied homes to veterans and others. This has not occurred. True, a temporary decline in the rate of evictions was evident in October and November, but the upward trend started in December, and by February 1946 the number of eviction certificates issued to permit occupancy by the purchaser reached an all-time high. The March total showed a further increase of 24 percent over February; and the April total showed a further increase of 23 percent over March.

OIL-HEAT INSTITUTE OF AMERICA, INC.,
New York 20, N. Y., April 29, 1946.

HON. ROBERT F. WAGNER,
United States Senate, Washington, D. C.

MY DEAR SENATOR: We are in receipt of your letter of April 26 which came as a response to our telegraphic request to appear before the Senate Banking and Currency Committee now holding hearings on H. R. 6042, a bill to amend the Emergency Price Control Act of 1942. We regret that the committee calendar is so crowded that you cannot hear us but we note your invitation to file a written statement of the information and views which our membership instructed the writer to present. This letter, with attached resolutions, is presented as our statement.

In the first postwar convention and exposition of the automatic oil heating industry in Philadelphia last week, there was, in our annual meeting, a discussion of the over-all unsatisfactory industry position in this reconversion period and consideration of the reasons why the industry is not further advanced in the production and distribution of equipment. Our annual meeting was attended by representatives of manufacturers as well as representatives of our distribution division who install and service the equipment and deliver the fuels which that equipment requires in all types of buildings. These representatives came from almost every State in the Union.

It was the conclusion of those present that the Office of Price Administration is, through delays, and by mishandling of request placed before them, from all levels of the industry, primarily responsible for the existing unsatisfactory conditions within this industry. Speakers gave recognition to the fact that during the war years it was necessary, for the best promotion of the war activity, to work under governmental controls on prices and materials, but the same speakers drew the wholehearted support of the assemblage on their statements that in peacetime they object, as American citizens, to regimentation and dictation from their elected representatives, their Government at Washington.

At the conclusion of the discussion there was presented for the consideration of the convention, the attached resolution and it was approved by the convention with only two dissenting votes. Neither of these voters accepted the opportunity offered them to come before the assemblage and state their views.

At a subsequent meeting, and in connection with a discussion on housing, the convention passed a second resolution, copy of which is also attached. It will be apparent to you that this industry desires to do everything in its power to assist in providing the American public with those things which are vitally needed, but the industry does look to Washington for relief from the onerous controls and limitations under which it is struggling at this time.

To that end we express ourselves as being in favor of the complete elimination of the Office of Price Administration at the conclusion of the existing approved term. We believe that the productive capacity of this industry, if freed to produce, will turn out heating equipment at a rate sufficient to allow the normal laws

of supply and demand to function and we further believe production is the only sure means of avoiding inflation.

Sincerely yours,

OIL-HEAT INSTITUTE OF AMERICA, INC.,
A. E. HESS, *Managing Director*.

AEH: gp

Enclosures: Resolution O. P. A.
Resolution Housing.

RESOLUTION ADOPTED AT THE TWENTY-THIRD ANNUAL CONVENTION OF THE AUTOMATIC OIL HEATING INDUSTRY AT PHILADELPHIA, PA.

Whereas full production of heating equipment is needed for the veterans' emergency housing program and other required construction; and

Whereas full production of all commodities, including heating equipment, is the surest means of preventing inflation; and

Whereas inequitable price ceilings tend to impede and limit production of heating equipment; and

Whereas, in the experience of members of Oil-Heat Institute of America, during 8 months since cessation of hostilities, it has been found impractical, under the authorized controls which have been in effect, to maintain equitable price ceilings on the many and various materials and components used by the industry: Now, therefore, be it

Resolved, That Oil-Heat Institute of America, in convention assembled at Philadelphia on April 24 does go on record as opposed to extension of the Emergency Price Control Act of 1942 by enactment of H. R. 6042 or any other bill of similar purpose, and be it further

Resolved, That the officers and other properly designated representatives of Oil-Heat Institute of America are authorized to present the above views before the Banking and Currency Committee of the United States Senate, which is now holding hearings on H. R. 6042, an act to amend the Emergency Price Control Act of 1942; and be it further

Resolved, That the officers and other properly designated representatives of Oil-Heat Institute of America are authorized to appear before any other committees of the Congress of the United States which may, from time to time, consider price control on heating equipment and present the above views.

HOUSING RESOLUTION ADOPTED AT THE TWENTY-THIRD ANNUAL CONVENTION OF THE AUTOMATIC OIL HEATING INDUSTRY, AT PHILADELPHIA, PA.

Whereas there is a recognized requirement for 2,700,000 new homes in the next 2 years; and

Whereas it is further recognized that the majority of these homes are needed for the returned war veteran; and

Whereas the United States Government has called upon all industry to extend itself on this housing program for the benefit of the war veteran: Now, therefore, be it

Resolved, That the membership of the Oil-Heat Institute of America in convention assembled at Philadelphia on April 26, 1946, does appreciate and does accept this opportunity to support and endorse this building program: And be it further

Resolved, That the industry pledges its best efforts to set in motion its engineering facilities and productive capacity to produce, deliver, and install automatic oil-heating equipment of designs and capacities to comply with the requirements of the veterans' housing program.

STATEMENT ON THE LIVESTOCK AND MEAT INDUSTRY FILED BY PRICE ADMINISTRATOR PAUL A. PORTER WITH THE SENATE BANKING AND CURRENCY COMMITTEE, MAY 13, 1946

Recently a considerable amount of testimony has been presented before this Committee by the livestock and meat industry. I wish to present to this Committee, as briefly as possible, a summary of the facts concerning the meat situation, and to reply to certain charges that have been made against the OPA. I feel that the best reply to most of these charges is to tell you what the facts are, and what OPA is doing to maintain fair and equitable ceilings, and to provide proper distribution of a very scarce group of commodities.

Admittedly, OPA faces a serious meat situation. The testimony of industry representatives which describes the scramble for livestock bears out our contention that the demand for livestock and meat grossly exceeds the available supply, thus putting severe strains on our ceiling regulations. The influx of new operators into the live cattle market, about which the industry complained, is again more evidence of the tremendous demand for livestock and meat. These problems do face us, and they are serious. We feel, however, that our present program, part of which was recently initiated, will go a long way toward correcting the maladjustments which developed following the abandonment last fall of controls on slaughter and of meat rationing.

The industry has not come forward with a constructive suggestion. It has merely recommended that price controls be removed while agreeing that prices would increase in the absence of controls. There has been no effort whatever by the industry to analyze the effects of a rise in livestock and meat prices on other commodities, now under control. Specifically, the industry has asked for removal of price ceilings on meat and livestock. In doing this it has made the following major charges against OPA.

- (a) That price control is interfering with production of livestock and meat;
- (b) That the black market has become so serious that price control is a fiction;
- (c) That the operation of the live cattle regulation is preventing legitimate slaughterers from obtaining normal supplies of livestock;
- (d) That the OPA has not put into effect the requirements of the Barkley-Bates amendment and that, as a result, a large segment of the industry is losing money under our ceiling prices.

In this statement I will discuss each of these charges and explain the program which OPA has recently initiated to cope with the problem.

I. PRODUCTION OF LIVESTOCK AND MEAT UNDER PRICE CONTROL

Producers' representatives have asserted repeatedly that the price ceilings have discouraged the production and feeding of livestock. Some of their comments have indicated that the discouraging effect was due to uncertainty as to changes in the price regulations and subsidies. Others have indicated that cattle-feeding operations were being curtailed because of unsatisfactory margins. They have implied that removal of the controls would lead to a rapid expansion in production and marketing of meat animals. At no time have they presented evidence as to the change in total meat production during the war or demonstrated that feed resources were available for bringing about any material increase in production.

The facts are that the expansion in livestock production during the war was tremendous. Output of meat was far greater than ever before, and the increase was much greater than in the last war period, when no ceilings were imposed on prices for grains, livestock, or meat. The expansion was the result of huge stocks of corn and wheat on hand at the start of the war, a succession of unusually favorable growing seasons, and the fact that prices were much more profitable for producers than in the years prior to the war.

Production of feed grains and hay in 1944 was 57 percent higher than the average in 1935-39. It declined in 1945, due to a less favorable growing season, but it was 34 percent greater than the average of these five prewar years.

Production of meat animals in 1944 was 55 percent greater than the average in 1935-39. In 1945, it was 41 percent above the average for those years.

Production of meat averaged 16.2 billion pounds in 1935-39. This may be compared to an average of 23.3 billion pounds during the four years of price control, 1942-45. The extraordinary increase in meat production during the war period, notwithstanding the price controls, is shown by the following tabulation of data prepared by the United States Department of Agriculture:

	<i>Billion pounds</i>		<i>Billion pounds</i>
1938.....	16.5	1943.....	24.1
1939.....	17.5	1944.....	24.8
1940.....	19.0	1945.....	22.6
1941.....	19.5	1946 (estimate).....	23.3
1942.....	21.7		

Besides the increase in meat production, output of dairy and poultry products expanded greatly, and industrial utilization of grain also increased. Aggregate agricultural production, which has been about 30 percent higher in the last 3 years than in 1935-39, has been near the limit of our farm productive resources.

It is true that meat production has declined from the extremely high level reached in 1944. This has been due to the need to hold livestock production in line with feed supplies. The marked expansion in production of meat animals, along with the needs of enlarged dairy herds and poultry flocks and commercial requirements for grain have resulted in close utilization of feed supplies. Notwithstanding the great increase in grain harvested during the war, serious feed shortages developed in 1943 and 1944. While the feed supply was adequate during 1945, it has become extremely short relative to demand in the current season. Dairy and poultry producers in feed deficient areas and industries which depend upon corn for raw materials have found it extremely difficult to obtain necessary supplies. It has recently been necessary to increase the price of corn by 25 cents per bushel in order to obtain the supply needed for relief commitments and to supply industries using corn for the production of essential materials. In view of these circumstances, it should be apparent that steps taken to bring about greater production of meat would be at the expense of other highly necessary food products.

Some of the witnesses appearing before this committee have dwelt at length on the curtailment of cattle feeding operations. The Department of Agriculture estimated that the total number of cattle and calves on feed on January 1, 1946, was 4,157,000 head. This was a decrease of 4 percent from the preceding year and about 6 percent below 1943, the peak year. Since January 1 the movement of cattle into feed lots has been somewhat smaller than in the corresponding period of 1945 and numbers remaining on feed on April 1 were estimated at 17 percent less than a year ago. However, the decline in numbers of cattle on feed was less than the decline in the April 1 farm stocks of corn which were 19 percent less than a year ago.

While the movement of cattle into feed lots during the last few months has been smaller than a year ago, prices have averaged substantially higher. This suggests that the decline in purchases of feeders was due to the lack of offerings more than to lack of demand. Reports on cattle trading in the range states have indicated a strong demand for cattle and a tendency by range producers to hold unless quite high prices are obtainable.

The pig crop of last fall and the spring pig crop of this year, which will furnish the market supply of hogs during the next twelve months, totalled about 87.5 million head. This is a larger number than ever before at this season with the exception of three years, 1942, 1943, and 1944. It is our firm belief that the reduction from those peak years has been the result of smaller feed supplies rather than the effect of price ceilings.

All told, I feel that the data demonstrate quite clearly that the amount of livestock production has been as much as could be expected in the absence of price control, considering the amount of feed available. Thus, it would appear that the promised larger production of livestock after decontrol would not materialize.

II. OPERATION OF THE LIVE CATTLE REGULATION (MPR 574)

Several packer representatives have complained about the operation of the cattle price regulation, MPR 574. They assert that it has prevented established slaughterers from obtaining a normal share of the supply of cattle; that it has favored black market operators; that some violators either show apparent compliance by falsifying their records or they escape scrutiny by not filing subsidy claims or compliance reports; and that the regulation has caused a marked increase in the cattle supply slaughtered in the non-inspected plants. The witnesses have given the impression that cattle generally have been selling substantially above the maximum prices established by the regulation.

Before discussing these points, it may be well to explain the operation of this regulation. It sets maximum prices for each grade of cattle in terms of specified yields. The grade and yield, of course, are determined after the cattle have been slaughtered. The dressed weight of each grade of beef obtained from the cattle slaughtered during each month is converted into calculated or equivalent live weight of the cattle by dividing by the yields, or dressing percentages, which are specified by the regulation. The calculated live weight for each grade is then multiplied by the applicable maximum price for the grade and the resulting amounts for all grades are added together to obtain the maximum total amount which the slaughterer could legally pay for his monthly drove. If the actual cost of all his cattle purchased during an entire month or accounting period exceeded the maximum permissible amount, the slaughterer would be in non-compliance with the regulation.

To comply with the regulation, a slaughterer must endeavor to estimate the dressed weight and yield of the cattle and buy accordingly. He is not required to comply on each animal or lot, as comments of some of the witnesses might imply. In normal times, the slaughterer buys cattle in accordance with his estimate of the dressed grade and yield. If he is unable to do this with reasonable accuracy on the average over a period of time, he cannot hope to compete with other slaughterers and is not likely to remain long in the slaughtering business. The major difficulty which slaughterers have experienced under the regulation has not been inability to determine the dressed grade and yield with reasonable accuracy, but inability to buy in line with the slaughterer's estimate, because of the competition from buyers who were paying more than the permissible maximums.

No doubt slaughterers have had a great deal of difficulty buying their cattle within the permissible cost limits during the last few months. The number of cattle sold for slaughter has declined much more sharply than usual at this time of the year, and, prior to the recently imposed license and quotas, a large number of people were bidding for cattle with more or less disregard of the price maximums. In spite of these difficulties, however, the records certified by slaughterers and filed with the OPA show that a high percentage of all the cattle slaughtered were bought in compliance with the regulation. For the month of December, the average cost of all the cattle slaughtered and reported to OPA was 14 cents per 100 pounds below the maximum permissible cost. In January, it was 15 cents below. Incomplete tabulations for February and March show only slight changes from the two preceding months.

The following shows the amount cattle costs were below the maximum in each cattle price zone or market, as shown by slaughterers' reports for January, the latest month for which tabulations have been completed:

<i>Zone or market</i>	<i>Amount per hundredweight</i>	<i>Zone or market</i>	<i>Amount per hundredweight</i>
1.....	\$0. 24	19.....	\$0. 09
2.....	. 19	20.....	1. 18
3.....	. 25	21.....	. 01
4.....	. 27	22.....	. 10
5.....	. 20	23.....	. 06
6.....	. 24	24.....	1. 01
7.....	. 30	Chicago.....	. 05
8.....	. 19	Texas markets.....	. 09
9.....	. 02	Indianapolis.....	. 14
10.....	. 70	Omaha.....	. 26
11.....	. 10	Sioux City.....	. 50
12.....	. 19	Kansas City-St. Joseph.....	. 11
13.....	. 16	National Stockyards, St. Louis.....	. 09
14.....	. 10	St. Paul.....	. 23
15.....	. 07	Milwaukee and Cudahy, Wis.....	. 09
16.....	. 14	Spokane.....	. 35
17.....	. 04	U. S. total.....	. 15
18.....	1. 28		

¹ Amount above maximum.

Some of these reports filed by slaughterers may be falsified through upgrading of the beef, padding the dressed weights, side money payments not included in cattle costs, and through other means. However, a study of the records leads to the conclusion that an extremely high proportion of the certified reports of slaughterers are made out honestly. It is doubtful if the falsification is any greater than in many other reports filed with the Federal Government. Analysis of the report also leads to the conclusion that the proportion of the total slaughter represented by those who do not file subsidy claims with RFC or the required compliance reports with OPA is very small.

Contrary to the impression that the regulation has caused a marked decline in cattle slaughter under Federal inspection, the Department of Agriculture reports that slaughter in inspected plants was at an all-time high of 14,538,000 head in 1945. Part of the increase over previous years was due to an increase in the number of plants inspected as a result of wartime regulations. Inspected slaughter thus far in 1946 has been considerably lower than in the corresponding period of 1945, but this drop was due partly to withdrawal from inspection by some of the plants which had come under inspection during the war. Also a part of the reduction in January slaughter was caused by the strike at the plants of several of the

major companies. Even with the decline, federally inspected slaughter of cattle in the first 3 months of 1946 was greater than in the corresponding period of any year prior to 1944. Following are the numbers of head dressed under Federal inspection in the 3 months, January, February, and March in each of the last 8 years as reported by the United States Department of Agriculture:

January-March:	Thousand of head
1939.....	2, 188
1940.....	2, 263
1941.....	2, 374
1942.....	2, 877
1943.....	2, 705
1944.....	3, 241
1945.....	3, 646
1946.....	2, 931

No information is available on current slaughter by nonfederally inspected slaughterers, so that the relative numbers of cattle slaughtered by the inspected and noninspected plants currently cannot be determined. However, estimates by the Department of Agriculture indicate that 71.7 percent of the cattle slaughtered in 1945, exclusive of farm slaughter, were dressed in federally inspected plants. This was higher than in any year since 1936 with the exception of 1944. Farm slaughter is relatively uniform from year to year and would not change this picture materially.

Some of the testimony has emphasized the decline in cattle purchases or slaughter by the major slaughterers at certain specified points during the last 2 months. We will not go into the question as to whether these figures were fully representative or whether these companies were doing better on their total operations than the selected figures indicated. However, it should be borne in mind that the cattle regulation has been in effect since January 29, 1945, and that a similar program was in effect during the entire year of 1944. The operation of these programs should be appraised on the basis of their effects over this entire period instead of merely on the purported effects during the last few weeks which coincide with a sharp decline in the total marketings of cattle. Certainly during 1944 and 1945 the major packers had little cause for complaint as to their volume of cattle slaughter compared with precontrol years.

III. BLACK MARKET OPERATIONS IN MEAT

A considerable amount of the testimony presented before your committee by the industry centered around the extent of the black market in meat. The American Meat Institute presented results of a survey which was made of retail sales in 11 large cities. It concluded that 68 percent of all the meat purchases were made at over OPA ceiling prices, and that 83 percent of all meat retailers sell one or more cuts of meat at more than the legal ceilings.

OPA is in complete disagreement that the results presented are representative of sales of meat at retail. Our own studies indicate clearly that the extent of violations is much smaller than that indicated by the American Meat Institute. In order to check the results found by the American Meat Institute, the enforcement department of the OPA district office for the District of Columbia made test purchases of meat during April, covering all retail chain stores and a representative sample of 150 independent stores.

The independent stores were selected by taking every tenth store on lists broken down by sections of the District of Columbia and alphabetized within each sectional grouping. Purchases were made by regular members of the enforcement department staff who were strangers to the storekeepers. They behaved as if purchasing for their own use, and made no attempt to buy above, at, or below ceiling. The results show that there is a sufficient number of over-ceiling sales in the District to constitute a serious problem which the agency is attacking here, as well as in other cities throughout the country. However, the situation is by no means as bad as the Meat Institute figures for the District of Columbia suggest. For the entire group of purchases the overcharge was only about a sixth as great as that reported by the institute—3½ percent as compared with the institute's 19 percent.

Other evidence turned up in the course of our regular day-to-day work shows that noncompliance in the quoting of prices and in the prices marked on cuts of meats in dealers' trays is only a fraction of that which the institute claims to have established by test purchases.

In mid-April we received a report on a special survey of meat prices in a sample list of stores during March. It covered 857 stores in 27 representative cities. The stores were so selected that they constitute a good cross section of all stores in the 27 cities. That is, they include in correct proportions chains and independents, etc. Quotations of price on eight cuts of meat were procured from these stores by trained interviewers not identified with OPA. No test purchases were made. All told, 4,473 meat price quotations were collected, and each quotation was compared with the legal ceiling for that item in that community and in that type of store.

83.2 percent of these prices were no higher than applicable ceilings.

16.8 percent were above ceiling.

We know, of course, that the foregoing figures do not fully measure the amount of over-ceiling selling. They show only that the proportion of posted or quoted prices which are above the legal ceilings are only a fifth to a fourth of the proportion of over-ceiling sales claimed by the Meat Institute. This discrepancy involves a rather serious charge against the meat retailers of the country—namely, that the majority of them are shortweighting their customers or selling them inferior grades of meat at superior prices.

I do not want to leave the impression with the committee that violations of our regulations are not serious. We feel, however, that the approach to the problem is not an abandonment of price control, but rather a step-up in enforcement activity and adjustments in the regulations to provide a better basis for enforcement. As I have explained below, our new slaughter-control program, which has been initiated by the Department of Agriculture and the OPA, will provide a very useful weapon against the black market, and will also provide the means of channeling livestock into the hands of regular slaughterers. Cooperation with other agencies on direct enforcement will also help us to get at the root of the trouble.

IV. MEASURES FOR SOLUTION OF PRINCIPAL PROBLEMS

It is now recognized that some of the controls on meat which were in effect last year may have been prematurely removed. This is particularly true with respect to Control Order 1, which was issued in order to channel livestock to established slaughterers on the basis of their 1944 slaughter through the use of slaughter quotas on nonfederally inspected and non-Patman-certified plants, and on buyers of livestock who had livestock slaughtered for them on a custom basis. Anticipating a decline in the total demand for meat, this office felt that Control Order 1 and rationing could be safely abandoned without jeopardizing the price ceilings or without distorting meat distribution. Consequently, these controls were removed last fall in line with the agency's policy of removing restrictions as rapidly as possible. The demand for meat, however, remained much stronger than was anticipated. The per capita supply of meat in the current quarter is also smaller than was expected last fall, because of the strong demand on the part of the Government and because seasonal declines in marketings have been somewhat greater than anticipated. As a result, undue burdens have been placed on the applicable livestock and meat ceilings. During the first part of this year it was felt that direct enforcement of the ceilings would take care of the situation during the period of seasonal shortage. The relatively strong demand since last fall, however, has encouraged more and more retailers, wholesalers, club owners, and restaurant operators to buy cattle and have them custom slaughtered in order to augment their regular meat supply. These inexperienced cattle buyers, who frequently had neither the skill nor inclination to buy cattle in compliance with OPA regulations, put additional pressures on the live cattle market. Certain other operators not operating in strict compliance with the regulations made it more difficult for law-abiding competitors to obtain normal supplies of livestock.

To put some restriction on custom slaughtering, the OPA early in April 1946, provided that custom slaughtering could be done only for those persons who held licenses for custom slaughtering under Control Order 1, which was in effect between April 29 and September 8, 1945. This restriction did not place a limit on the volume of slaughter which could be done by such people; it was merely stopgap to assist until a formal slaughter control could be initiated.

On April 28, 1946, the Department of Agriculture and the OPA established maximums on the volume of livestock killed by individual plants. Under this program, slaughterers are not permitted to slaughter currently more than a given percentage of their kill in the corresponding month of 1944. In the case of cattle and calves the percentage is set at 100 percent of the 1944 slaughter for

each plant; hogs at 90 percent; and there is no limitation on the slaughter of sheep and lambs.

The purpose of this program is to provide a fair share of the available livestock to all slaughterers. It does not in any way affect total slaughter by all companies. It reduces the volume of some plants which are killing in excess of a normal volume and this makes more livestock available for the slaughterers whose volumes have declined. The production percentage will be adjusted as the available supply of livestock changes, and adjustments will, of course, be made to take care of hardship cases.

This program will limit entry into the slaughtering business by people not owning slaughtering facilities. In this way some of the pressures on the live market will be removed. Slaughterers who have been killing in recent months far in excess of a normal volume of business will be cut back, and this in turn will further reduce the pressures on the live market. There is no intent to stymie competition, and thus force livestock prices below the applicable ceilings. We do, however, feel that cattle should be available, on the average, at compliance prices.

By getting more livestock into the hands of regular slaughterers, distribution of meat will be improved and various sections of the country will stand a much better opportunity of obtaining a proper proportion of the available meat than would result in the absence of such controls.

The new program will aid enforcement of ceiling price regulations. It is much easier to enforce an order defining maximum slaughter than other types of regulations. Furthermore, with some of the pressure relieved on the live cattle market, the task of enforcing ceilings will be reduced.

The OPA is also increasing its meat enforcement staff. Approximately twice as many investigators will be working on meat during the next several months as we had during the first quarter of the present calendar year. In addition, we have been assured of close cooperation in various areas of the enforcement program by the Department of Agriculture, the Treasury Department, the Attorney General, and the FBI. As has been explained to you by the Secretary of Agriculture, the large enforcement staff which OPA had last year and the controls on slaughter then in effect, kept black market activities well under control, even though the supply of meat for civilians was smaller than it will be during the present year. I feel definitely that our operations can be just as effective this year.

The new program already is showing promising results. The volume of slaughter in federally inspected plants increased 12 percent during the first week of the operation of Control Order 2, which became effective May 1, 1946. Meat production by interstate packers subject to Federal regulation totalled 268 million pounds during the week ended May 4, 1946, compared with 240 million pounds during the previous week. This was only 1 percent below the production during the corresponding week in 1945.

The New York office of the Department of Agriculture made the following report for the week ending Thursday, May 9, 1946:

“General marketing conditions

“All major packers were operating in their cattle departments, and the output at this source was considerably larger than that of the previous week, when beef tonnage was increased over 100 percent. Steers made up most of the cattle kills in all packing plants, while independent interests accounted for practically all of the bulls slaughtered. For the first half of the current week, the slaughter of steers was the largest in history, even exceeding last weeks' record kill for the same period. The hog kill was above normal for the second consecutive week, possibly reflecting the effect of the slaughter quotas recently put into operation.”

* * * * *

“Fresh beef

“Wholesale cuts—steer and heifer (nonkosher):

“Another record kill was in prospect for the current week as midweek tabulations indicated even a larger kill than the previous week, when all local records were broken. Major packers took a large part in this week's kill, even stepping up operations over the previous week.”

V. EARNINGS POSITION OF THE INDUSTRY

It is generally recognized that cattle producers have done very well financially under price control. This is borne out by the fact that testimony presented by the range producers indicated that this group is not asking for higher prices.

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 1887

Specific statistics are not available to show the net income derived from the sale of livestock; however, it can be pointed out that, at all times, ceiling prices on livestock have met the legal requirements of the Price Control Act and in most cases far exceed the legal minimums.

Similarly the ceiling prices for the slaughterers and the retailers have met legal requirements under the act. Statistics for the slaughtering industry show that the war years have been an exceptionally profitable period for the meat-packing industry, the percentage return on net worth averaging more than 400 percent of the rate during 1936-39. Data on results of 59 identical companies representing roughly 70 percent of the volume of the industry for the period 1936-39 and for the years 1942-45 show the following:

Period	Returns before taxes on income—	
	Percent on sales	Percent on net worth
1936-39	1.0	4.1
1942	2.4	16.4
1943	2.7	19.7
1944	3.3	24.9
1945 ¹	1.7	10.2
Average 1942-45	2.5	17.7

¹ Preliminary on the basis of data from 107 companies.

² Estimated on basis of ration of sales to net worth as reported by 39 of the larger companies.

In using the period 1936-39 as a base for this industry in applying earnings standards, careful study was given to determining its representativeness. Data on approximately 900 companies obtained from the Treasury Department indicate that earnings in the period 1936-39 were essentially the same as earnings for the longer period 1926-35. Published data from the Packers and Stockyards Administration of the Department of Agriculture also indicate that the period 1936-39 was representative with respect to earnings in the period 1926-39. It is true that earnings in 1937 and 1938 were very low. But, on the other hand, earnings in 1936 and 1939 were above normal for the meat packing industry. OPA has discussed this problem with the industry on two or three occasions. The known facts do not show that any other period would be more representative of normal peacetime earnings for this industry.

On June 30, 1945, the Stabilization Act was amended to require OPA to fix ceiling prices on meat and meat products which would permit the industry to earn a reasonable margin of profit on each of the species of livestock, considered separately. We feel that we have very definitely met the requirements of this amendment (Barkley-Bates amendment). The following tabulation shows returns for each of the species for the periods July-October 1945, and November-December 1945.

	Return as a percentage of sales—	
	July Octo-ber	November-December
Cattle and calves	1.5	1.6
Hogs	1.7	0.6
Sheep and lambs	1.7	0.9

Data are not available to determine the returns to the industry on a species basis in the base period. Consequently, we have felt that we are meeting the requirements of the legislation if the return on each species is no less than the over-all rate of return for the industry in the base period. As pointed out above, the return in 1936-39 to a sample of companies constituting about 70 percent of the supply amounted to 1.0 percent on sales and 4.1 percent on net worth. Inasmuch as the sales volume has increased more rapidly than net worth, it has been determined that a current return of about .07 percent on sales is equivalent to a return of at least 4.1 percent on net worth. Thus, to insure that the industry is

receiving a return on net worth comparable to that obtained in the base period, a return of 0.7 percent on sales is needed. Our pricing standards for all industries have always been calculated on the basis of an industry's returns, measured as a percentage of net worth. It will be noted that the above data show that the returns by species for the period July–October was greatly in excess of the 0.7-percent standard. Returns on cattle and calves and sheep and lambs in November–December also were considerably above the standard, and returns from hogs were not significantly below the minimum.

For the period July through December, it is clear that the industry's returns on each of the species of livestock were well above the returns required by the Barkley-Bates amendment. Statistics for the period January–April have been requested from the industry and they will be analyzed as soon as the information is made available to us. In accordance with the directive from the Office of Stabilization Administrator issued in December 1945, any changes required in prices or subsidies to keep the regulations fair and equitable after February 15, 1946, will be made on a prospective basis, rather than on a retroactive basis, as was done for the period July–October.

Inasmuch as the charge has been made that OPA has used too small a sample of companies in determining earnings in the base period, I wish to point out that this small sample was taken for two reasons:

(a) Because it is the only available summary which presents the earnings for identical companies over a long period of years, so that results are not complicated by the inclusions of some companies which have gone out of business or by new ones which have replaced them, and

(b) Because results are somewhat more favorable than results reported by all small companies. For example, statistics from approximately 900 companies for the period 1936–39 show a return on sales of 0.6 percent, and a return on net worth of 2.4 percent.

The OPA has also been charged with leaving a large portion of the industry in a loss position by its interpretation of the price control legislation. This charge is completely without basis. On April 23, 1945, the industry was informed through a joint agency press release that any slaughterer who operated profitably for a substantial part of the period 1938–41 but who incurred a loss on his operations for the period May 1, 1945, to the end of his fiscal period or any year thereafter would be given a special subsidy to offset the extent of the loss. This provision has been given wide publicity through industry associations and trade journals. The fiscal period for almost all slaughterers ends on October 31 or December 31. Yet at this date the OPA has received formal applications for relief from only 18 companies in the entire slaughtering industry. Obviously, an extremely small percentage of the industry was in a loss position during that period.

It is expected that returns for the balance of the fiscal year 1946 also will be good. Price adjustments were made effective March 11, 1946, to offset fully the effect of the general wage increase granted by the industry and special subsidies were provided to take care of retroactive wage payments. These actions give assurance to the industry that profits will be maintained at a reasonable level.

VI. PROBABLE EFFECTS OF REMOVAL OF PRICE CONTROL FROM LIVESTOCK AND MEAT

The industry has asked for removal of price control on livestock and meat. It has in no way made an effort to present to your committee what the consequences of such a removal would be. It is generally agreed that the prices for livestock and meat would rise substantially in the absence of controls. The industry states that such a rise would be temporary. They present no evidence to support the claim that prices would decline after a temporary advance. We see nothing in the picture which would bring prices for meat and livestock down after they had once advanced to higher levels, until such time as the supply of other consumer goods is sufficient to relieve some of the pent-up purchasing power. This, of course, cannot be expected within the next few months.

The only industry representative testifying before your committee that hazarded a guess on how much livestock prices would advance stated that he felt that hog prices would exceed \$20 per hundredweight, and that cattle prices would go even higher if price controls were removed at this time—\$20 hogs would require \$1.72 corn (per bushel) if the normal feeding ratio were maintained. Obviously, such a situation would largely nullify the Government's program of getting less grain fed to livestock, and would make it extremely difficult for the Government to obtain grain supplies for industrial use or for the dairy and poultry industries located out of the Corn Belt. Furthermore, on a rising livestock market, producers would be

more inclined to hold grains waiting for higher prices to materialize before releasing them. An even more serious consideration is the effect which such an action would have on the Government's efforts to obtain food for starving people abroad. I feel that the "Food for Famine" program should be given every opportunity to succeed. A removal of meat from price control would seriously jeopardize its chances of success.

The removal of price control from livestock and meat would undoubtedly mean that grain ceilings would have to be further increased or ceilings removed from this segment of the economy. In either case, substantial price increases would have to result for dairy products, poultry products, all items manufactured from grains, and various fats and oils. Otherwise the production of these commodities would be seriously reduced. This would affect the bulk of the food commodities and a very large proportion of the entire economy.

Certainly these increases in living costs would set loose another wave of wage demands which would tend to force upward the prices of industrial products. Long before the inflationary spiral has expended itself, costs would have risen materially for the producers, largely nullifying the higher prices for livestock and grain.

It requires no great foresight, therefore, to recognize that the simple suggestion of removing livestock from controls would have the effect, if adopted, of threatening the collapse of the entire anti-inflation effort. I believe it would do just that.

A STATEMENT IN REGARD TO THE PROPOSED EXTENSION OF THE EMERGENCY PRICE CONTROL ACT OF 1942 AS AMENDED AND THE STABILIZATION ACT OF 1942 AS AMENDED

(Prepared for the hearings of the U. S. Senate Banking and Currency Committee, April 1946)

I. IS OPA FIGHTING A HOPELESS BATTLE OF STATISTICS VERSUS PEOPLE?

A quick review of the lengthy record of former OPA hearings shows that administrative witnesses have repeatedly acknowledged that price control continues to be an experiment doubtless "noble in purpose." As an experiment the Emergency Price Control Act of 1942, and the Stabilization Act of 1942, both previously amended, have acquired a "scared cow" character, as Administration witnesses refuse to accept or propose any further amendment. Meanwhile, throughout the 48 States, the smaller merchants, the smaller manufacturers, and, of particular importance at this time, the more enterprising veteran who wants to be his own boss instead of a job seeker, puzzled and distracted, are rebelling against the incomprehensible flood of directives, pricing orders, and amendments, all declared to be the law of the land.

If people could eat, wear, and build homes with statistical charts, your committee might quickly decide to extend the emergency price control and stabilization laws without lengthy hearings. But the fact is you are sitting in the middle of a battle royal between statistics versus people. It is simply impossible that all the complaints and opposition to price control measures and manners are inspired by greedy, grasping economic royalists. The entire weight of the evidence is to the contrary. It is the small enterprisers who are complaining most bitterly. It is the smaller business, struggling to grow bigger in the American tradition, that now finds centralized and slow-moving economic controls an unbearable handicap with no end in sight.

II. WARTIME PRICE FIXING NO TRUE GUIDE TO PEACETIME NEEDS

In peacetime raw materials flow through multifarious channels of distribution and fabrication to reach and serve the end-uses determined by consumer needs and preferences. For convenience in trading, raw materials and commodities in their various stages of processing are said to have a certain value expressed in terms of currency. These values, however, merely represent estimated risks. Only the consumer-buyer finally determines the real dollar-and-cents value of a product or service.

Price fixing under monopolistic control has long been outlawed by Congress as being inimical to the growth and well-being of American free enterprise. Is price fixing by Government fiat any less dangerous? No loyal citizen questions the right of his Government to establish a monopoly over all goods and services required for the defense of the Nation. Profits cannot be accepted as a prime

motive for enterprises called upon to serve the armed forces. Thus, since the entire economy was geared to the war effort, price fixing for civilian goods was accepted along with the other hazards of wartime monopolies. It should be obvious, however, that a public screaming for quick demobilization of Americans serving overseas, is in no mood to accept arbitrary wartime control over intimate details of personal expenditures. Thus the blacker black market.

III. IF PROFITS ARE A CRIME, WHAT ARE TAXES?

Probably the greatest hazard confronting the tough-fibered American competitive profit-or-loss system is the fact that American business enterprisers dislike to recognize the impossible. Tax returns, carefully analyzed and tabulated by expert statisticians of the United States Bureau of Internal Revenue, probably provide the most reliable historical picture of the multiplicity and complexity of the national earnings which must be shared with the Government to help meet the often extravagant Federal expenditures.

Statistics of Income, part II, published by the United States Treasury Department, presents a shocking story of the creeping paralysis that has afflicted American business enterprisers since 1936. Table I (see enclosure) gives you the cold-factual detail. You won't like it. But what are you going to do about it? Please take special note of the fact that the total number of active corporations filing tax returns with the United States Bureau of Internal Revenue increased 8 percent during the 4-year period 1928 through 1936. Compare this with the 7 years, 1936 through 1943 and you find a steadily declining number of active corporations showing a percentage loss of 12.2 percent in 1943. Why? Could it be too much or the wrong kind of Federal regulation? Glance again at table I and you will note that of the United States of America total of 420,485 active corporations in 1943, 80 percent were classified in three industrial groups:

- (a) Trade, including wholesale and retail distributors;
- (b) Manufacturing of all types and kinds;
- (c) Finance, including banking, investments, stock and bond brokers, insurance, and real estate.

Of these three groups, both (a) trade and (b) manufacturing, showed a heavy death rate between 1936 and 1943, completely reversing the increases shown between 1928 and 1936. On the other hand, the (c) finance group declined over 10 percent in number between 1928 and 1936, but showed a substantial increase of 15.5 percent in number during the 1936-43 period when many trade and manufacturing corporations were dropping out of the picture.

Corporation earnings, before and after Federal taxes, have been widely discussed and often grossly misrepresented, during the OPA battle of "Statistics vs. People." Let's take another look at the record as shown by table I. Note that 1932 with average net profits of 5.90 percent was the low year until 1942 and 1943. Then make the same comparison for:

- (a) Trade, with 1932 low of 2.18 percent net profit;
- (b) Manufacturing, with 1932 low of 5.18 percent net profit;
- (c) Finance, with 1932 low of 9.05 percent but thereafter topping 25 percent plus.

Please bear in mind that these national averages conceal more than they reveal. You have some indication in table I of the wide range of net taxable income and net profits as between the averages shown for the three major industrial groups. But this, of course, is only part of the real story to be had from the published data prepared by the United States Bureau of Internal Revenue statisticians. For example, each of the three industrial groups shown in table I is further subdivided into many classifications, which have a wide range of earnings, taxes, and net profit. But even these subdivisions do not get us down to the grass roots. Each one of us has a deep, personal interest in some one community or State. National welfare begins in the home. Nobody wants to live in a deserted village.

Thus, table II was prepared to give you some idea as to how each of 40 States compares with the United States average of corporate sales and earnings during the badly selected 4-year period, 1936-39. OPA insists Congress has previously chosen these 4 years as the bench mark for price and profit controls. The 40 States shown in table II are those in which we find small enterprisers engaged in manufacturing men's and boys' cotton and allied garments.

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 1891

IV. IF CONGRESS SELECTED 1936-39 EARNINGS AS THE BENCH MARK FOR PRICE AND PROFIT CONTROL, WHAT STATE DO YOU CHOOSE?

Do you like Oregon at the bottom of the list with an average 1936-39 net profit of only 4.40 percent? However, some 8 of the 40 States also show average net profits below 5 percent. These are: Alabama, 4.97 percent; Minnesota, 4.90 percent; Arkansas, 4.84 percent; Mississippi, 4.68 percent; Iowa, 4.63 percent; Kansas, 4.53 percent; South Carolina, 4.53 percent; and Oregon, 4.40 percent. Only 7 States showed average 1936-39 corporate earnings over 8 percent and Delaware tops them all with 29.03 percent.

If it is any consolation to the losers, you may be interested to note that 33 of the 40 States shown in table II had corporate earnings below the United States 1936-39 average of 7.49 percent net profit. These figures stand firmly on data published by the United States Treasury Department. Every effort has been made to avoid any error in calculating State and national averages. No secrets are involved. Anyone can get the same Treasury publications used by the writer. Anyone searching for truth will find the same evidence that proves the complete absurdity of basing price-fixing controls on a national industry 1936-39 average of net taxable income.

V. SUMMARY AND RECOMMENDATIONS

(a) It is human nature to want to buy cheap and sell dear. Thus the OPA pressure group propaganda appeals to many buyers and worries every seller. As bad money drives out good money, so does a controlled economy weaken and destroy a free economy.

(b) Federal taxes collected from corporations during 1936-39 averaged about 1 billion dollars per year. For 1943 corporations paid nearly 16 billion dollars in Federal taxes. There was an old political slogan of 16 to 1 but it was aimed at deflation. In the present instance it is clearly evident that price ceilings based on a one billion dollar tax-collection period cannot yield net taxable income to justify 16 billion dollars or even lesser tax revenue.

(c) All Emergency Price Control Act amendments now under consideration are good or bad solely to the extent that they meet the prime need to smooth and expedite our return to a freely competitive economy. There has already been far too much poorly reasoned argument about cost-plus and guaranteed profits. None of the proposed Emergency Price Control Act amendments guarantee profits. Only a buyer can guarantee a profit to a seller.

(d) In final analysis, Congress, not OPA, is facing the acid test in dealing with the legislative problem of extending the experimental economic controls which probably served a useful purpose in wartime. Government agencies are often reluctant to accept legislative direction. None has ever been more stubborn than OPA in resisting any and all legislative amendments to a law always conceded to be dangerously experimental. Businessmen, as citizens and taxpayers, have exercised their right and their duty to petition Congress for liberalizing amendments to the Emergency Price Control Act. Those who have always opposed fair legislative consideration of proposed amendments have seen fit to issue statements wildly accusing business leaders of all kinds of antisocial proclivities. Is the Emergency Price Control Act of 1942 a sacred cow and, if so, who owns it? Are business leaders to be condemned for seeking to improve and hasten the end of emergency price control? Only the elected Members of the United States Senate and House of Representatives have the constitutional right and duty of answering these questions.

ALBERT F. ALLISON,
Executive Vice President,
International Association of Garment Manufacturers,
260 West Broadway, New York 13, N. Y.

UNIVERSITY CLUB, WASHINGTON, D. C.,
April 24, 1946.

1892 EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942

TABLE I.—All industry groups

[Source: U. S. Treasury Department]

Year	Total active corporations	Average gross income (sales) of each corporation earning net taxable income	Average net taxable income	Average net profit	Average gross income (sales) of each corporation earning no taxable income	Percent of average deficit of corporation showing net loss
			Percent	Percent		Percent
1928.....	443,611	\$473,875	8.34	7.41	\$145,354	9.41
1932.....	451,884	383,660	6.80	5.90	133,723	15.80
1936.....	478,857	515,669	9.05	7.91	99,800	7.82
1939.....	469,617	523,650	8.37	7.20	99,867	7.76
1941.....	468,906	661,218	10.35	6.25	73,983	11.77
1942.....	442,665	763,720	11.67	5.72	66,700	8.69
1943.....	420,485	848,000	11.93	5.32	65,154	10.08

A. TRADE—WHOLESALE AND RETAIL DISTRIBUTION						
Year	Total active corporations	Average gross income (sales) of each corporation earning net taxable income	Average net taxable income	Average net profit	Average gross income (sales) of each corporation earning no taxable income	Percent of average deficit of corporation showing net loss
			Percent	Percent		Percent
1928.....	126,347	436,700	3.60	3.20	\$180,000	4.20
1932.....	132,314	445,300	2.50	2.18	124,000	7.50
1936.....	145,520	502,587	3.30	2.77	110,949	2.50
1939.....	134,262	548,928	3.00	2.50	111,025	2.60
1941.....	132,102	605,721	4.17	2.55	94,479	3.15
1942.....	128,969	585,755	5.10	2.39	84,884	2.80
1943.....	120,878	593,057	5.62	2.47	84,553	2.91

B. MANUFACTURING						
Year	Total active corporations	Average gross income (sales) of each corporation earning net taxable income	Average net taxable income	Average net profit	Average gross income (sales) of each corporation earning no taxable income	Percent of average deficit of corporation showing net loss
			Percent	Percent		Percent
1928.....	91,573	1,044,575	8.26	7.31	268,363	8.50
1932.....	87,916	847,300	5.97	5.18	264,355	13.30
1936.....	92,090	1,053,303	8.42	7.16	186,119	4.32
1939.....	86,183	1,162,349	7.90	6.63	192,462	4.58
1941.....	84,431	1,556,215	11.74	6.26	117,716	5.54
1942.....	82,174	1,932,988	11.96	4.83	178,033	3.98
1943.....	78,682	2,323,842	11.65	4.31	172,542	5.00

C. FINANCE						
Year	Total active corporations	Average gross income (sales) of each corporation earning net taxable income	Average net taxable income	Average net profit	Average gross income (sales) of each corporation earning no taxable income	Percent of average deficit of corporation showing net loss
			Percent	Percent		Percent
1928.....	129,139	156,340	15.7	14.00	54,847	21.14
1932.....	125,120	105,248	10.35	9.05	54,484	43.4
1936.....	115,694	145,252	34.84	32.57	33,488	32.07
1939.....	138,356	106,775	29.53	27.45	33,871	23.75
1941.....	138,633	108,324	30.12	25.96	43,005	33.02
1942.....	136,882	112,201	32.92	27.74	22,701	31.3
1943.....	133,656	107,539	34.55	28.8	19,372	36.0

Table prepared by A. F. Allison, University Club, Washington, D. C.

TABLE 11.—Four-year average, 1936-39

[Source: U. S. Treasury Department]

	Number of corporate returns (for total, add (a) and (b))	"Gross income" (sales) per firm	Net taxable profit; or net loss per firm	Percent profit (before Federal taxes) or net loss	Percent profit after Federal taxes
United States:				<i>Percent</i>	<i>Percent</i>
(a) Corporations with net taxable income	191, 138	\$522, 238	\$45, 079	8. 63	7. 49
(b) Corporations with net loss	283, 198	112, 463	8, 279	7. 40	0
ALABAMA:					
(a) Corporations with net taxable income	1, 542	267, 107	15, 753	5. 90	4. 97
(b) Corporations with net loss	1, 717	84, 548	5, 193	6. 14	0
ARKANSAS:					
(a) Corporations with net taxable income	1, 200	197, 435	11, 203	5. 63	4. 84
(b) Corporations with net loss	1, 101	64, 329	3, 411	5. 30	0
CALIFORNIA:					
(a) Corporations with net taxable income	9, 443	523, 537	49, 468	9. 45	8. 19
(b) Corporations with net loss	12, 208	105, 343	8, 758	8. 31	0
COLORADO:					
(a) Corporations with net taxable income	1, 982	272, 934	25, 761	9. 44	8. 12
(b) Corporations with net loss	2, 903	71, 155	6, 552	9. 23	0
CONNECTICUT:					
(a) Corporations with net taxable income	3, 270	435, 286	38, 580	7. 94	6. 70
(b) Corporations with net loss	5, 466	113, 338	11, 091	9. 79	0
DELAWARE:					
(a) Corporations with net taxable income	1, 548	923, 902	291, 495	31. 6	29. 03
(b) Corporations with net loss	1, 234	149, 178	15, 513	10. 4	0
FLORIDA:					
(a) Corporations with net taxable income	3, 272	163, 858	11, 857	7. 24	6. 25
(b) Corporations with net loss	5, 073	46, 753	4, 550	9. 73	0
GEORGIA:					
(a) Corporations with net taxable income	2, 653	318, 925	23, 403	7. 34	6. 25
(b) Corporations with net loss	2, 643	77, 434	4, 361	5. 63	0
ILLINOIS:					
(a) Corporations with net taxable income	13, 847	795, 723	49, 880	6. 27	5. 32
(b) Corporations with net loss	18, 316	184, 630	11, 398	6. 12	0
INDIANA:					
(a) Corporations with net taxable income	5, 118	298, 005	21, 641	7. 26	6. 12
(b) Corporations with net loss	5, 597	81, 178	6, 136	7. 56	0
IOWA:					
(a) Corporations with net taxable income	3, 387	256, 892	13, 996	5. 45	4. 63
(b) Corporations with net loss	3, 168	84, 071	6, 378	7. 32	0
KANSAS:					
(a) Corporations with net taxable income	2, 109	278, 857	14, 656	5. 26	4. 53
(b) Corporations with net loss	2, 131	120, 136	5, 197	4. 33	0
KENTUCKY:					
(a) Corporations with net taxable income	2, 339	375, 896	25, 163	6. 60	5. 65
(b) Corporations with net loss	2, 279	77, 861	5, 527	7. 10	0
LOUISIANA:					
(a) Corporations with net taxable income	2, 699	300, 199	21, 738	7. 24	6. 23
(b) Corporations with net loss	3, 035	75, 063	6, 094	8. 12	0
MAINE:					
(a) Corporations with net taxable income	1, 278	225, 327	17, 764	7. 88	6. 80
(b) Corporations with net loss	2, 057	88, 874	6, 953	7. 82	0
MARYLAND:					
(a) Corporations with net taxable income	2, 553	434, 002	44, 902	10. 35	9. 08
(b) Corporations with net loss	2, 944	147, 873	13, 394	9. 06	0
MASSACHUSETTS:					
(a) Corporations with net taxable income	8, 293	485, 722	35, 446	7. 33	6. 37
(b) Corporations with net loss	13, 037	122, 721	10, 222	8. 33	0
MICHIGAN:					
(a) Corporations with net taxable income	6, 542	1, 090, 763	90, 214	8. 27	7. 05
(b) Corporations with net loss	7, 785	133, 514	11, 304	8. 47	0
MINNESOTA:					
(a) Corporations with net taxable income	4, 099	451, 651	25, 656	5. 68	4. 90
(b) Corporations with net loss	4, 898	121, 189	9, 604	7. 92	0
MISSISSIPPI:					
(a) Corporations with net taxable income	1, 139	179, 608	9, 894	5. 51	4. 68
(b) Corporations with net loss	1, 107	63, 541	4, 584	7. 21	0
MISSOURI:					
(a) Corporations with net taxable income	6, 077	468, 170	35, 926	7. 67	6. 51
(b) Corporations with net loss	7, 367	138, 198	11, 364	8. 22	0

TABLE 11.—Four-year average, 1936-39

[Source: U. S. Treasury Department]

	Number of corporate returns (for total, add (a) and (b))	"Gross income" (sales) per firm	Net taxable profit; or net loss per firm	Percent profit (before Federal taxes) or net loss	Percent profit after Federal taxes
NEBRASKA:					
(a) Corporations with net taxable income	1,724	\$247,595	\$16,883	<i>Percent</i> 6.82	<i>Percent</i> 5.80
(b) Corporations with net loss	2,175	66,218	4,660	7.04	0
NEW HAMPSHIRE:					
(a) Corporations with net taxable income	614	269,251	18,896	7.08	6.00
(b) Corporations with net loss	797	77,173	5,171	6.70	0
NEW JERSEY:					
(a) Corporations with net taxable income	7,165	381,935	46,753	12.24	10.85
(b) Corporations with net loss	18,036	75,080	7,121	9.48	0
NEW YORK:					
(a) Corporations with net taxable income	33,874	744,678	74,174	10.0	8.79
(b) Corporations with net loss	79,099	118,988	8,276	6.96	0
NORTH CAROLINA:					
(a) Corporations with net taxable income	3,136	411,267	32,487	7.90	6.70
(b) Corporations with net loss	2,659	81,335	5,973	4.88	0
OHIO:					
(a) Corporations with net taxable income	11,365	597,598	45,317	7.58	6.45
(b) Corporations with net loss	13,052	120,830	8,506	6.87	0
OKLAHOMA:					
(a) Corporations with net taxable income	2,141	462,209	35,704	7.72	6.63
(b) Corporations with net loss	2,851	133,148	9,692	7.28	0
OREGON:					
(a) Corporations with net taxable income	1,794	232,318	12,032	5.18	4.40
(b) Corporations with net loss	2,702	74,703	5,495	7.42	0
PENNSYLVANIA:					
(a) Corporations with net taxable income	9,674	778,771	64,924	8.34	7.23
(b) Corporations with net loss	14,103	181,831	12,463	6.85	0
RHODE ISLAND:					
(a) Corporations with net taxable income	1,197	420,504	31,881	7.58	6.48
(b) Corporations with net loss	2,041	125,288	6,023	4.81	0
SOUTH CAROLINA:					
(a) Corporations with net taxable income	1,561	252,727	13,784	5.45	4.53
(b) Corporations with net loss	1,601	70,091	4,001	5.71	0
TENNESSEE:					
(a) Corporations with net taxable income	2,161	375,090	22,922	6.11	5.14
(b) Corporations with net loss	2,520	79,944	5,043	6.31	0
TEXAS:					
(a) Corporations with net taxable income	6,962	305,072	29,694	7.59	6.49
(b) Corporations with net loss	7,363	105,889	7,625	7.10	0
UTAH:					
(a) Corporations with net taxable income	1,013	223,334	15,580	7.00	6.06
(b) Corporations with net loss	1,239	56,086	4,334	7.83	0
VERMONT:					
(a) Corporations with net taxable income	471	221,527	15,183	6.85	5.81
(b) Corporations with net loss	674	83,368	6,252	7.50	0
VIRGINIA:					
(a) Corporations with net taxable income	3,271	289,855	30,309	10.46	8.87
(b) Corporations with net loss	3,180	75,821	7,724	10.10	0
WASHINGTON:					
(a) Corporations with net taxable income	3,526	234,668	16,587	7.07	6.14
(b) Corporations with net loss	5,301	58,755	4,793	8.16	0
WEST VIRGINIA:					
(a) Corporations with net taxable income	2,114	275,725	21,992	7.98	6.78
(b) Corporations with net loss	2,146	82,785	5,938	7.17	0
WISCONSIN:					
(a) Corporations with net taxable income	5,948	306,636	19,045	6.21	5.18
(b) Corporations with net loss	7,494	72,505	6,351	8.76	0

Italic figures denote loss.

Prepared by A. F. Allison, University Club, Washington, D. C.

NOTE.—Compare United States average with your State.

OFFICE OF PRICE ADMINISTRATION,
Washington, D. C.

The Honorable Robert F. Wagner,
Chairman, Senate Banking and Currency Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR WAGNER: At the request of Mr. Arthur Bessee, president of the National Association of Wool Manufacturers, we are forwarding the following data on the profits of wool textile companies, to be included in his testimony before your committee.

Yours very truly,

SAUL B. SELLS,
Assistant Director Consumer Goods Price Division.

Sales, net worth, and profits of 90 companies in the woolen and worsted industry, 1936-39 to 1945

[Dollars in thousands]

Year--average	Net sales	Profits before taxes	Net worth	Indexes 1936-39=100		Return on net sales	Return on net worth
				Net sales	Profit before taxes		
1936-39	\$254, 136	\$8, 238	\$197, 651	100	100	3.2	4.2
1940	316, 637	21, 486	197, 943	125	261	6.8	10.9
1941	516, 239	53, 321	203, 015	203	650	10.4	25.7
1942	640, 261	71, 611	220, 131	252	869	11.2	32.5
1943	652, 942	84, 763	235, 790	257	1, 029	13.0	35.9
1944 ¹	604, 461	76, 289	248, 730	238	926	12.6	30.7
1945 ²	546, 662	54, 089	³ 224, 946	215	657	9.9	³ 24.0

¹ Based on 76 companies accounting in 1943 for 89 percent of sales and 93 percent of profits.

² 1945 based on 4 large companies. They represented in 1944 approximately 45 percent of sales and 60 percent of the profits.

³ Estimated from ratio of net worth to sales in 1944.

Source: OPA and Moody's.

EXTENSION OF PRICE CONTROL—SMALL BUSINESS AMENDMENT

PROPOSED CLARIFYING AMENDMENT TO SECTION 2 (H) OF THE PRICE CONTROL ACT TO PREVENT BURDENS OF PRICE INCREASES FROM BEING PLACED SOLELY ON SMALL BUSINESSMEN

Section 2 (h) of the presently effective Price Control Act prohibits the exercise of powers so as to compel changes in cost practices. Despite this provision of the statute, there are increasing evidences that, faced with making some increases in prices, the administrative authorities are attempting to prevent (in whole or in part) increasing the levels of consumer prices by requiring distributive industries to absorb the entire burden. In other words, where manufacturers have insisted upon increased recoveries, they have been granted relief at the expense of those smaller businessmen who handle the manufactured product.

To remedy this situation and make it doubly clear that the burdens of price control must be shared equally by large and small business, it is proposed that section 2 (h) of the present Price Control Act be amended as follows (new matter in italic):

"The powers granted in this section shall not be used or made to operate to compel changes in the business practices, cost practices (*including discounts at which wholesalers or retailers bought the products they sell or the percentages by which they participated in the resale prices thereof prior to 1942*) or methods, or means or aids to distribution, established in any industry, or changes in established rental practices, except where such action is affirmatively found by the Administrator to be necessary to prevent circumvention or evasion of any regulation, order, price schedules, or requirement under this Act."

Of course, the narrowing of wholesalers' or retailers' margins is not due, and could not be due, to any necessity for the prevention of evasion of any price order. Indeed, the Administrator has never attempted to narrow margins of small businessmen on this ground.

The purpose of this amendment is to prevent the Office of Price Administration from putting the burden of price increases solely upon small businessmen, who function largely in the distributive industries. Their costs have increased at least as much as the costs of large manufacturers. Yet, by the so-called price absorption policy, distributive units of small industries are threatened with the continuation or new imposition of regulations requiring them to bear either the entire burden or a disproportionate share of the burden of price increases.

Apart from the manifest injustice of that form of administration of the Price Control Act, the price structures and margins in many distributive industries have been the result of years of economic development and adjustment. If these ratios can now be disrupted by price control regulations, many industries made up of small businessmen will find (when price control ends) that they must begin again to build up their position in the industry if they are to survive. As a matter of fact, they may as a practicable matter not be able to recapture the position so lost to them, or may not be able to keep in business until they can do so.

Because these businesses are small and numerous, they have no practicable means of defending themselves under the Price Control Act as it is now written. It would take at least a year before a final judgment could be secured in litigation, and meanwhile they would be subjected to regulations requiring them to bear disproportionate and disastrous burdens of price increases. Section 2 (h) of the existing law was intended to protect them; but, since it is drawn in broad terms, the Office of Price Administration has in some instances taken the position that it may be construed so as not to prevent the placing of burdens on particular parts of any industry disproportionate to those placed on other parts of the industry. That construction manifestly violates both the terms and the spirit of section 2 (h). The section must, therefore, be clarified and made so definite that no administrative officer could attempt to construe it away.

The justice and the need for this action may be demonstrated in the tire industry, with which the Senate Small Business Committee has been greatly concerned over a period of years. The problems of that industry are indicated in Small Business Problems of the Tire and Rubber Manufacturers and Retailers: Committee Print No. 3, Seventy-seventh Congress, First session (1941). The committee during the Seventy-eighth Congress also held hearings at three different times on the subject. See Tire Dealer and Rebuilder Problems, hearings, Special Senate Committee to Study and Survey Problems of Small Business Enterprises, part 2 (March 3, 4, 5, and 6, 1942); Problems of Small Distributors, hearings (January 19, 20, and 21, 1943); Tire Dealer and Rebuilder Problems: II, hearings (April 5, 7, and 8 May 6 and 13, 1943). The Senate Committee on Banking and Currency has also held hearings on distribution of motor vehicle tires, Seventy-eighth Congress, First session, hearings on S. 1122 (November 9, 10, and 17, 1943). In the Seventy-ninth Congress Senators Murray, Ellender, and Wagner introduced S. 713 to remedy certain distributive inequalities affecting small businessmen.

The foregoing legislative documents illustrate and emphasize the gross inequities which result when only a portion of an industry is required to bear the burden of price increases. Among these inequalities are the following: (1) In the tire industry, for example, manufacturers sell tires on a different basis to so-called mass distributors, as compared with independent small businessmen. The chain organization buys tires at wholesale on a cost-plus basis, while the independent businessman buys them at list less a discount. Yet the Office of Price Administration has already placed one increase in prices solely and entirely upon those who buy at list less a discount. The result is to place the independent businessman at an even greater disadvantage as compared with the mass distributors or chain organizations. (2) Some chain organizations are permitted to buy tires at specially large discounts. These, too, are favored when the burden is sought to be placed on independent distributors, because these chain buyers often do not buy for resale and hence are unaffected by "add-ons" or changes in consumer prices. (3) An even more vicious result is to be found in direct selling by the manufacturer in competition with independent distributors. Thus in the tire industry some manufacturers maintain company stores. When burdens are sought to be placed by the Office of Price Administration on distributive units in the industry, the only effect on manufacturers' stores is to require them to make a bookkeeping entry. They may still sell their tires at prices lower than independent distributors can sell. By increasing the price which the independent distributor must collect from the consumer for the benefit of the manufacturer, the manufacturer's price monopoly through his own store or other outlets is aggravated to the disadvantage of the independent businessman.

The attempt of the Office of Price Administration to shift the burden of price increases to small distributive businesses is, as stated above, contrary to the law and inequitable in the extreme. The situation should be corrected so far as it lies within the power of Congress to do so. Price control will be aided if made to operate equitably. To the extent that it has failed, the cause is to be found in no little measure in the failure of the administrators to take due account of the situation and the problems of the smaller business enterprise. It is this form of enterprise that must furnish lines of endeavor or employment to those who have lately returned from the service of their country. These enterprises are to be found at every crossroads and at every business corner in our cities. Good public relations on the part of the Government and a sound national economy require that they be protected. The very least that Congress can do is to make sure that wartime controls do not continue to be exercised so as to impair the position of these business men and women.

It should be noted that H. R. 6042 as passed by the House of Representatives and now before the Senate Committee on Banking and Currency contains in section 9 two amendments to section 2 of the present Price Control Act which purport to reach the situation here involved. It is there proposed to add to section 2 of the present Price Control Act subsections (q) and (r), which forbid the Office of Price Administration from reducing "established retail trade discounts or dealer handling charges" or "established wholesale trade discounts or normal wholesale mark-ups". These provisions, however, are unnecessarily complicated and in most cases would be ineffective for two reasons: First, they apply only to industries in which production has been curtailed by 75 percent or more over prewar figures (referring presumably to the automobile industry). Secondly, in forbidding the reduction only of trade discounts, handling charges, or wholesale mark-ups the provisions do not preclude the present practice of the Office of Price Administration to impose a so-called add-on, which distributors merely collect for the benefit of manufacturers—these could be construed as having no relation to discounts, handling charges, or wholesale mark-ups. Altogether the better and more comprehensive approach is the one suggested in the amendment proposed heretofore in this statement, which also has the virtue of tying in directly with the similar existing provision of section 2 (h).

STATEMENT OF A. HARRY MOORE, FORMER GOVERNOR AND UNITED STATES SENATOR FROM NEW JERSEY, REPRESENTING VARIOUS TEXTILE INDUSTRIES OF THE STATE

There is no denying that the Office of Price Administration has been a most helpful factor, and it can still be a powerful help in these days of readjustment. It is open, of course, to honest criticism in at least some details.

During the past several months and particularly at hearings held before the House Banking and Currency Committee, as well as before your own committee, so much has been said pro and con on the subject of the extension of the Price Control Act, that the facts have unfortunately slowly become obliterated with intense feelings and even more intense propaganda. Proponents of continued price control on the present basis, and particularly high officials of the Office of Price Administration, have staunchly contended that any amendments to the present Act would be "crippling" in character and would defeat the very purposes for which the Office of Price Administration was originally set up.

Manufacturers, retailers, and businessmen generally have contended equally staunchly that the OPA's policies have been crippling to production and have in themselves been inflationary in character, since they have curtailed the proper production of much needed goods. The objections of this latter group have been based upon the fact that not only has production as a whole been curtailed, but that even the production which was permitted under the regulations of the Office of Price Administration were directed into channels which did not necessarily reflect the most essential demands of the public. Radio manufacturers have complained that certain parts necessary for complete radio equipment were unavailable because of price ceilings on relatively small component items and that these deterrents had made it impossible for the assembly, distribution, and sale of complete radio units. Similarly, automobile manufacturers have stated that component parts of automobiles were priced under such low ceilings that these parts could not be manufactured, and that therefore the total production of automobiles was badly impaired and in some cases made impossible. Mr. Henry

Ford II has made the statement that automobiles which they are producing today show a net loss of approximately \$300 per car.

There is an old saying that where there is smoke there is fire. While there is admittedly a small proportion of businessmen who take the short-sighted view that immediate profit is paramount, this is certainly not true of the average American businessman generally. On the contrary, it has been the entire history of the United States that we have been able to produce better and more goods at a cheaper price because of mass production and sales policies based upon broad vision. As a case in point, the Ford Motor Co. can certainly not be accused of short-sightedness on pricing policies, since Henry Ford, Sr., was the father of mass production in this country and was the man who beyond peradventure of a doubt made possible a low-priced car available to the average citizen. It would be curious, therefore, if suddenly these leaders of American industry, many of whom are represented in the National Association of Manufacturers, should overnight become "gold greedy," as the Office of Price Administration has inferred, and should now cast aside all of the policies which have been their underlying reasons for success in world-wide competition since the turn of the century.

The proponents of OPA's stand that no "crippling" amendments should be attached to the extension of the Price Control Act have, in the period preceding their entry into Government service, dealt largely with theories, whereas the businessmen who insist that amendments are necessary have had to deal with the hard facts of meeting a weekly pay roll, producing tons of steel, millions upon millions of dollars' worth of automobiles, and commodities of all sorts in the face of the most severe kind of world competition.

The Office of Price Administration was created during wartime to preclude the devastating effects of inflation during a time when the Nation's resources were strained to the utmost to produce the sinews of war and relatively little productive capacity remained to satisfy the demands of the civilian public. For approximately 8 months now this situation has no longer obtained. War production in practically every commodity has long become a thing of the past, and American industry is again pouring out merchandise of every type and description to fill the long-unsatisfied wants of America and of the world. Who is in a better position to judge of the immediate requirements of the public—the thousands upon thousands of manufacturers who produce these articles, or an isolated group of individuals whose theories are often visionary and whose experience in the business world is obviously less? There is little argument that in the realm of housing and renting, price controls should be continued. The same can be said of a number of other commodities where production has not yet reached anywhere near the prewar level, but price decontrol should definitely be a goal for which we all should strive at the earliest possible moment.

Ours is one of the few countries priding itself on our free enterprise system. I will take one example of an industry with which I happen to be somewhat familiar. As a three-time Governor of the State of New Jersey, as well as a United States Senator from that State, I know that the woolen and worsted textile industry is an important one, employing approximately 20,000 people. The Office of Price Administration has for more than a year insisted that clothing is one of the "hot spots" as far as production and price control are concerned. They have contended that prices have risen unduly, and they have also contended that manufacturers have taken advantage of the situation through "merchandising up" by producing more expensive goods to the detriment of cheaper merchandise. In order to regulate the production of these manufacturers, the Office of Price Administration formulated an order popularly referred to as "MAP" or the maximum average price order.

Briefly, the thought behind this order was to force textile manufacturers to produce goods at the same average price as they did in a base period, irregardless of the demands of the public. They have insisted that this average price be reduced further by 4 percent, which means that the manufacturer whose average price per yard was \$3 in 1944 should now produce textiles at an average of price 12 cents less, or \$2.88. Is it the manufacturer who has done the "trading up," or the public who through their demand for better merchandise is asking the mills to produce clothing which will give them long and better service and more satisfaction? The answer is well shown by looking at the inventories of retail stores. In a survey made at the request of Senator Joseph O'Mahoney, of Wyoming, it was established that cheaper merchandise inventories were greater than inventories in top-quality clothing. It is, therefore, the public's well-founded demand for better quality rather than the arbitrary whim of the manu-

facturer which has changed the production picture in textiles in the United States.

This is more especially true in my own State of New Jersey, where a number of the finest mills in the country are located. Since lightweight fabrics are obviously cheaper to produce than heavier-weight fabrics, the maximum average price regulation, promulgated by the Office of Price Administration over the protest of the entire manufacturing and retail industry, has forced manufacturers to make lighter-weight fabrics than are presently in demand. During the past months mills have been turning out tropical weight men's wear fabrics which are going into shelves, rather than the fall and winter weight fabrics which should be in production at the present time.

Since women's wear fabrics are, generally speaking, lighter and therefore cheaper than men's wear fabrics, a greater ratio of women's wear fabrics has been produced than is commensurate with the demands of the public. Generally speaking, the wool textile industry produced approximately 60 percent men's wear and 40 percent women's wear. With 7,000,000 servicemen returning from World War II, is it not deplorable that today the mills are forced to turn out an inverse ratio, or approximately 65 percent of their fabrics for women's wear and 35 percent for men's wear?

In February 1945 a committee headed by Congressman Barrett of Wyoming recommended to the Office of Price Administration that the maximum average price regulation be abandoned. Since this recommendation was ignored by the OPA, the Smith committee held protracted hearings during the spring and early summer which covered a period of several months. After exhaustive sessions, at which both the exponents of unlimited price control as well as the manufacturers had an opportunity to present facts, the Smith committee also overwhelmingly recommended that maximum average price regulations be discarded. In the early fall a committee that Joseph C. O'Mahoney, of Wyoming, especially set up to survey the wool-growing and wool-manufacturing industries, also recommended that OPA abolish the maximum average price regulation. Mr. Chester Bowles and his staff have continued to this day to ignore the recommendations of all three of the committees. I am glad to say that the House Banking and Currency Committee have voted to force the abandonment of this arbitrary and unworkable regulation and that the House body has concurred in their finding. It is my hope that the Senate Banking and Currency Committee and the Senate as a whole will complete the cycle and force the OPA to drop a regulation which has not a single supporter outside of the agency itself.

In this connection, it is interesting to know just how the OPA functions. By law duly established by Congress, every industry must have an industry advisory committee, whose function it is to advise the pricing agency. In the case of the woolen and worsted industry, suggestions made unanimously were ignored, and the same thing holds true in practically every segment of American industry which has appeared before your committee and before the House committee. Is this not a deliberate violation of the will of Congress? I contend that it is. Indeed, meetings of advisory committees have become so pointless that industrialists have in many cases refused to attend hearings, and others have resigned their posts.

By an overwhelming majority, the House has adopted the so-called Wolcott amendment, which is aimed at destroying OPA's policy of cost absorption. This amendment, which applies to all manufactured goods, is similar to the Bankhead-Brown amendment, which originally referred only to cotton textiles and was subsequently enlarged in scope to include wool textiles under an amendment proposed by Congressman Sundstrom, of my State.

Again coming back, for the moment, to the wool-textile industry, I am told that their present ceilings are predicated upon raw-material costs of 1942, conversain costs of March 1942, with no mention whatever of any profit incentive, which is quickly disappearing under rising labor and material costs. While the prices of wool generally have not fluctuated as much as some other commodities, there is a wide dislocation in this basic raw material, and to force manufacturers to establish their ceiling prices upon an archaic price structure which is now more than 4 years old is most unjust.

Mr. Walter T. Margetts, Jr., chairman of the New Jersey State Mediation Board, testified before the House Banking and Currency Committee that costs of labor in the wool textile industry had increased by more than 40 percent since the industry went under price control. Recently Mr. Chester Bowles made the in-temperate suggestion that the reason textile production was off was because of the "miserable" wages paid by the textile industry. Mr Margetts immediately took

issue on this statement through Senator Hawkes. As a matter of fact, wages paid textile employees in my State average considerably more than \$1 an hour. The minimum rates are 75 cents per hour, or 10 cents higher than the minimum Mr. Bowles suggested in an article written for Collier's magazine. The net result of Mr. Bowles' erroneous statement will obviously be further disturbances between management and labor. In this connection, it is interesting to note that there has not been one hour's work stoppage of the industry in my State, and the conversion from war to peacetime production was accomplished practically overnight. The relationship between the unions and the various managements has been a very happy one, but statements such as the one made by Mr. Bowles can soon destroy this happy condition.

The present complicated pricing system, Maximum Price Regulation No. 163, has four separate provisions in pricing fabrics. This means that some fabrics will show either no profit at all, or an actual loss, whereas other fabrics may show substantial gains. MPR 163 is typical of hundreds and hundreds of similar regulations for other industries in our country. The Wolcott amendment, which provides for a simple formula reflecting current cost of raw materials, plus current conversion costs, plus a "reasonable profit", would iron out these inequities and would relieve industry from the terrific amount of paper work necessary under the present system, and the constant uncertainty as to whether they were really complying with an involved regulation or not. At the same time, if the mark-up on all fabrics produced by a given mill were the same the mill would obviously produce those fabrics for which the greatest demand exists, on the old theory that the "squeaking wheel gets the grease." Today, the wheel can squeak to high heaven, but if a dollar-and-cent loss in producing a given fabric is incurred, a manufacturer is naturally not going to take an order on it and he naturally will not produce it.

The only fault I have to find with the Wolcott amendment is the fact that it does not define "fair profit." One of the outstanding manufacturers with whom I have spoken in New Jersey, and who was formerly Chairman of the OPA Advisory Committee for the Woolen and Worsted Industry, tells me that an amendment such as the following would obviate their difficulties as far as he could see. Instead of a regulation covering pages and pages of printed matter, which as been amended and reamended so that even an attorney would find it difficult to make head or tail of it, it could be replaced by a simple regulation which could be self-administered by the individual manufacturer. This is the way he would like to see the price regulation for his industry read:

"The maximum price of a woolen or worsted apparel fabric shall be the sum of the following three elements, on a per-yard basis, all computed in accordance with the customary accounting practice of the manufacturer:

"(a) The cost of the raw materials used in the production of the fabric.

"(b) The current manufacturing cost of such fabric, plus administrative and distribution costs of manufacturer.

"(c) A mark-up equal to that which the manufacturer added in the 1941 base period, on a per-yard basis. This mark-up is expressed as a percentage, and represents the amount by which the sum of the weighted average manufacturing cost, administrative and distribution costs, was increased to determine the weighted average selling price."

The year 1941 was chosen since it was the year before our entry into the war and the wool textile industry was still a very competitive one, during which the industry as a whole showed modest profits.

As far as the question of price control under the existing act and complete de-control are concerned, I prefer to take the middle path. If we are to be arbitrary in this matter and run counter to any and all business laws, we will wind up with black markets in every commodity. It will make the prohibition era look like a strawberry festival by comparison. Businessmen, generally, and those with much invested capital, in particular, are the ones who would be the most seriously damaged by inflation.

I am not making a plea for the immediate abandonment of the Office of Price Administration. I am making a plea for the elimination of MAP, the adoption of the Wolcott amendment with a clarification of "fair profit" as outlined in my specific suggestion for the wool textile industry, as well as the extension of price control for a 9-month period as suggested by the House rather than the full year's extension as demanded by Mr. Bowles.

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 1901

MAY 22, 1946.

HON. ROBERT F. WAGNER,
United States Senate.

DEAR SENATOR WAGNER: For some time I have been deeply concerned by the rapid increase in commercial rents. I first discussed this situation with the Senate Banking and Currency Committee in December 1944. In the course of my testimony I stated that the problem was already causing trouble in some areas but pointed out that the really serious danger lay in the reconversion period ahead. I said:

"As the German war comes to a close, many demobilized veterans, with credits from the GI bill, plus war workers with ample savings, will rush to enter the service trades, and open up restaurant and retail businesses. Vacancies in commercial establishments are already at the lowest point in 20 years on a national basis. Fifty-five percent of rental agreements are on a 1-year basis.

"Under these circumstances, the present troublesome rise in commercial rents, which disturbs us in some sections, would quickly reach dangerous proportions. It would put additional heavy pressure on our retail price ceilings. It would throw new obstacles in the way of returning veterans and individuals anxious to establish themselves in an independent retail business."

At the close of the hearing the committee suggested that the situation be carefully watched and that the question whether or not control over commercial rents should be authorized by Congress would be further discussed when the price control bill came up for enactment in the spring of the following year.

In March and April 1945 I again appealed to the committee to propose to the Congress legislative action which would enable the Administration to protect tens of thousands of dentists, doctors, store owners, and other commercial tenants from rent increases which in many sections of the country were already soaring to dangerous levels.

During the recent year, as many thousands of veterans have opened up offices or sought to enter retail trade, the scramble for rented properties has become steadily worse as I had anticipated it would. As a result the rise in commercial rents has continued and hardship, particularly among small businessmen has become more and more serious.

Today many dentists, doctors, druggists, grocery store operators, hardware dealers, and other commercial tenants are facing a continual series of rent increases. Many have been forced to give up locations which they have held for years and which have been one of their most important business assets. A growing proportion of those who have been subjected to unmerciful gouging in many areas have been returning veterans.

Clearly the shortages which bring about this situation are a direct outgrowth of the war, and clearly the problem cannot be solved overnight by the building of increased facilities. The Wyatt housing program very properly gives priority to home building. For the most part the commercial structures needed to eliminate the present scarcity of available commercial rented space will not be classed as immediately essential.

I feel strongly that Congress faces a grave responsibility in allowing this situation to continue. I am hopeful that even at this late date action will be taken to enable us to offer business and professional men, who occupy rented quarters, the protection to which I believe they are fully entitled.

I would like to suggest to the committee that the Price Control Act be amended substantially along the lines proposed in the substitute amendment which you presented in December 1944 (committee print, December 5, 1944, S.2176, amendment in the nature of a substitute, 78th Cong., 2d sess.). Due to the advance in rents since that time, however, the freeze date of October 1, 1944, which was then suggested, would probably have to be changed to a more recent date.

Such an amendment would enable the Office of Price Administration to control the commercial rents in those areas where the situation is particularly serious. It would offer many thousands of professional and business men the protection of stable costs. It would serve immeasurably to strengthen the entire stabilization program.

Very sincerely,

CHESTER BOWLES.

DEPARTMENT OF COMMERCE BUILDING,
Washington 25, D. C., May 7, 1946.

HON. ROBERT F. WAGNER
United States Senate, Washington, D. C.

MY DEAR SENATOR WAGNER: This will acknowledge your telegram of April 30, stating that you will appreciate having any statement which I desire to submit on behalf of the Committee for Economic Development concerning the legislation for the extension of price control.

The research committee of the Committee for Economic Development has given extended study to this question. The results of that study are to be found in the accompanying document, *The End of Price Control—How and When*. We respectfully request that this document be printed in the record as the main body of our testimony.

To the recommendations contained in the committee's statement, I wish to add a few personal observations.

The OPA performed an essential service during the war. To measure that service we have merely to contrast the rise in living costs during the two world wars. The past record stands for all to see.

Since the war, however, conditions have changed rapidly. The controls which served during active warfare are in many respects not appropriate for today. Both the structure and the administration of price control must be modified for the remaining period of its life, to permit free and rapid expansion of production while protecting us against runaway inflation.

As a result of the study which our research committee has given the subject of price control, it seems to me that there is much that is good and much that is harmful in the bill passed by the House of Representatives.

There are two major points in the House legislation which are subject to criticism. The provisions of section 1A (b), stating the conditions under which price controls shall be removed, would appear to decontrol a large segment of national production so suddenly and under such circumstances that it could scarcely fail to produce a serious crisis. Decontrol policy must be vigorous, but it should be more wisely selective. I believe that the policy statement of the Committee for Economic Development research committee charts a wiser course. That statement concludes: "It is difficult to establish a legislative formula for decontrol. But it would be appropriate to affirm in the Price Control Act the importance of vigorous, daring decontrol not only where supply is adequate to satisfy demand, but also in areas not important for the cost of living and not critical for reconversion and expansion of civilian production."

The other major provision of the House legislation which is subject to criticism is contained in section 2 of the House bill. This amendment, designed to provide a profit on each commodity at all stages of production and distribution, will, I believe, be so complicated in its application as to be impossible of administration. The resulting, inevitable laxity in administration will invite inflation. Moreover, it appears to set a standard which will result in unnecessarily large increases in the prices of many commodities.

It is good to legislate definitely that price control is to be discontinued at a specific future date. Dealing as it does with the symptoms of inflation rather than with the causes, the best OPA can do is to hold the breach while constructive forces are being organized behind it. Under peacetime conditions the service it performs can and should be only temporary, and the quicker we all realize this the better it will be in the end.

The background forces producing inflation are unprecedented purchasing power in the hands of consumers, long unsatisfied needs, and inadequate production. Against this background we see already initiated the active forces of a wage-cost-price spiral whose end no one can predict. An attempt to control these forces through price control alone cannot long be successful. It may, and in some instances doubtless has, done more harm by limiting supply than it could do good by restraining prices.

The major responsibilities cannot, in fact, be met by OPA at all. They rest with all of us. Proper tax and budgetary policies can help by restraining the demand for goods. The money supply is subject to control by wise legislative and administrative action. The supply of goods and services can be increased if unwise governmental restraints are relaxed and if labor and management cooperate heartily. The menacing wage-cost-price spiral will succumb only to the joint attack of labor, business, and Government.

Respectfully yours,

RALPH E. FLANDERS,
Chairman, Research Committee.

Enclosure.

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 1903

[For release in Sunday papers, April 21]

NEWS ABOUT POSTWAR JOBS FROM COMMITTEE FOR ECONOMIC DEVELOPMENT

New York, April 20. Long-continued peacetime price control is a threat to all our freedoms, but abandonment of all such control by June 30 of this year would leave the Nation unprotected against a dangerous rise in prices. Retention of some controls until the spring of 1947 and in the case of rents for an even longer period is necessary, but present procedures must be streamlined and existing OPA price standards liberalized.

These opinions are voiced in a policy statement on the revision and termination of price controls issued today by the research committee of the Committee for Economic Development, and made public by its chairman, Paul G. Hoffman.

The following conclusions are emphasized in the statement:

1. Price control has no permanent place in the peacetime American economy. The restoration of an economy of free prices in the near future must be a primary objective. Long continued price control is a threat to all our freedoms.

2. The abandonment of price control on June 30, 1946, would leave us unprotected against a dangerous rise in prices.

3. A quick and orderly termination of price control can only be assured by a positive program embracing both bold measures of decontrol and courageous fiscal and monetary policies to combat inflation.

4. During the limited period of its extension, the inequities and obstacles to production which result from price control must be reduced by streamlining present procedures and liberalizing existing standards.

Supporting its position the committee said:

"Prices cannot be centrally controlled for any sustained period without inefficiency, inequity, break-down of respect for law and, most important, serious danger to our personal and political freedoms. There are hazards in eliminating price control too soon, but the dangers in continuing it too long are even greater. The American people will not deliberately embrace regimentation. But there is a risk of drifting into regimentation, of accepting more and more controls in default of a positive program to reestablish free markets and curb inflation.

"We look forward to a further expansion of production and must do everything possible to hasten this expansion. But it is not clear that production increases will of themselves, in the near future, eliminate the excess of demand. Expanding production will bring higher incomes, increased bank credit, and general optimism, and it might conceivably increase rather than decrease inflationary pressure."

The committee makes four specific recommendations as to changes needed "so that we can live with price control for a limited period." These are:

1. Follow a resolute and affirmative policy in progressively suspending price ceilings. Remove controls first from those commodities which are not essential in the basic standard of living or critical in reconversion, or which show an approximate balance between demand and supply. The principle of vigorous, progressive liquidation should apply to cost-of-living subsidies as well as to price ceilings.

2. Extend the use of automatic pricing procedures, under which producers compute their own ceilings, subject to OPA review, and with heavy penalties provided for fraud.

3. Base price determinations on the actual record of industry operations, adjusted for definite abnormalities visible in the record, but without attempting to forecast the future development of costs and revenues.

4. Liberalize the standards for price relief.

With respect to the last of these four recommendations the policy statement says: "The general standards used by OPA in considering applications for price increases need to be liberalized. * * * The OPA standards now in use may force industries down to profit levels which are unfairly low and which will not provide adequate incentive to enterprise, especially to new enterprise. It seems fair that the minimum earnings standard against which OPA measures applications for price relief be raised on the average by about one-third."

Setting a terminal date now for ending price controls, will, in the committee's opinion, exert an active influence "in working ourselves out of the inflation versus price control dilemma. It can give to the necessary measures of selective decontrol and fiscal-monetary policy a sense of urgency which might otherwise be lacking."

Relative to the need for continuing rent controls for a somewhat longer period than others it is stated: "The acuteness of the housing shortage, the length of

time required to relieve it, and the importance of rents in the consumers budget justify an exception for rents in our general recommendation for the end of all price controls. * * * Area-by-area removal of rent controls will be possible and should be sought. * * * A gradual rise of rental ceilings would not only be a matter of equity to property owners it would also hasten the achievement of a balance between demand and supply of dwellings and so accelerate the removal of controls."

On the subject of full use of monetary and fiscal measures to eliminate excessive demand the statement asserts: "The Government has a responsibility to supplement and supplant price control by anti-inflation measures which do not restrict the full and free operation of the American productive system. In the traditional governmental functions of taxation, public expenditure, and monetary control we can find these necessary tools. We need a policy which will actually use these tools effectively to restrain inflationary pressure so long as the threat of serious price increases persists.

"This is a difficult and perhaps unpalatable recommendation. But in the transition to free markets we cannot be simultaneously and consistently against inflation and in favor of low taxes, high Government outlays, and unlimited credit expansion. When stable prices and free markets are the objective, strict Government economy, steep taxes and monetary restriction are not too high a price," the statement concludes.

The statement is one of a series issued by the Committee for Economic Development research committee as an aid to clearer understanding of steps to be taken in reaching and maintaining high levels of productive employment and a steadily rising standard of living. The statement is entitled "The End of Price Control—How and When."

THE END OF PRICE CONTROL—HOW AND WHEN?

(A statement on national policy by the Research Committee of the Committee for Economic Development)

COMMITTEE FOR ECONOMIC DEVELOPMENT, RESEARCH COMMITTEE

Ralph E. Flanders, chairman; chairman of the board, Jones & Lamson Machine Co., Springfield, Vt. and consultant to the board, Federal Reserve Bank of Boston, Boston, Mass.

Chester C. Davis, vice chairman, president, Federal Reserve Bank, St. Louis, Mo.

Marion B. Folsom, vice chairman, treasurer, Eastman Kodak Co., Rochester, N. Y.

James F. Brownlee, 290 Hass Road, Fairfield, Conn.

Gardner Cowles, president and publisher, Des Moines Register & Tribune, Des Moines, Iowa.

Donald David, dean, Graduate School of Business Administration, Harvard University, Boston, Mass.

William C. Foster, vice president, Pressed and Welded Steel Products Co., Long Island City, N. Y.

George L. Harrison, president, New York Life Insurance Co., New York, N. Y.

Paul G. Hoffman, president, the Studebaker Corp., South Bend, Ind.

Eric A. Johnston, president, Brown-Johnston Co., c/o Chamber of Commerce of United States, Washington, D. C.

Ernest Kanzler, chairman of the board, Universal C. I. T. Credit Corp., Detroit, Mich.

Thomas B. McCabe, president, Scott Paper Co., Chester, Pa.

Philip D. Reed, chairman of the board, General Electric Co., New York, N. Y.

Raymond Rubicam, 444 Madison Avenue, New York, N. Y.

Beardsley Ruml, chairman of the board, R. H. Macy & Co., Inc., New York, N. Y.

RESEARCH ADVISORY BOARD

Sumner H. Slichter, chairman; Lamont University professor, Harvard University.

Robert D. Calkins, vice chairman, dean, School of Business, Columbia University.

Douglas V. Brown, professor of industrial relations, Massachusetts Institute of Technology.

David F. Cavers, professor of law (on leave) Harvard University.

Neil Jacoby, vice president, the University of Chicago.

Harold Lasswell, Director of War, Communications Research, Library of Congress.

Theodore W. Schultz, professor of agricultural economics, the University of Chicago.

Ralph Young, professor of economics, University of Pennsylvania.

Theodore O. Yntema, research director, professor on leave from School of Business, the University of Chicago.

Howard B. Myers, associate research director and executive secretary of research committee.

Gardiner C. Means, associate research director.

Sylvia Stone, assistant to research director.

The trustees of the Committee for Economic Development established the research committee "to initiate studies into the principles of business policy and of public policy which will foster the full contribution by industry and commerce in the postwar period to the attainment of high and secure standards of living for people in all walks of life through maximum employment and high productivity in the domestic economy." (From CED bylaws.)

CED's research committee of businessmen assigns questions for study to qualified scholars, drawn largely from leading universities. Under the bylaws "all research is to be thoroughly objective in character, and the approach in each instance is to be from the standpoint of the general welfare and not from that of any special political or economic group." (From CED bylaws.)

The monographs prepared by the scholars, after consultation with the research committee, are published as books by McGraw-Hill Book Co., Inc. In most cases, the research committee itself then issues a "Policy statement," such as the following, based largely upon the monograph.

Neither the policy statement which follows nor any other statement by the CED research committee can claim either indirectly or by inference to represent the views of the trustees, or of businessmen throughout the country who are affiliated with CED. Up to date of publication, they have not participated in the background discussion between businessmen and economists leading toward the development of the statements. The statements are offered as an aid to clearer understanding of steps to be taken in reaching and maintaining high levels of productive employment and a steadily rising standard of living.

THE END OF PRICE CONTROL—HOW AND WHEN?*

The decisions made about price control this spring will have a crucial effect upon the success of the economic transition from war to peace. These decisions may spell the difference between run-away inflation and general price stability, between a halting reconversion and a rapid expansion of peacetime output, between prolonged regulation and early restoration of free markets.

One year ago the research committee of the CED, in its policy statement on removal of wartime controls, pointed out that it would be necessary to reconsider the controls carefully in the light of the actual conditions of the transition.¹ There has now been 8 months postwar experience with price control. In the light of this experience we have reached the following conclusions:

1. Price control has no permanent place in the peacetime American economy. The restoration of an economy of free prices in the near future must be a primary objective. Long continued price control is a threat to all our freedoms.
2. The abandonment of price control on June 30, 1946, would, we have reluctantly concluded, leave us unprotected against a dangerous rise in prices.
3. A quick and orderly termination of price control can only be assured by a positive program embracing both bold measures of decontrol and courageous fiscal and monetary policies to combat inflation.

*Statement by Mr. James F. Brownlee: In view of my present position as Deputy Director of the Office of Economic Stabilization, I request that it be noted that I am not taking any position in connection with this policy statement on price control.

¹ Postwar Employment and the Removal of Wartime Controls, April 1945. The general position of that policy statement is indicated in the following quoted paragraphs:

"The committee believes that these objectives (high consumption, high production and high employment) will best be served by the ending of all wartime controls as soon as the emergency needs for them have ended. At the same time, it must be very clear that no control should be removed at a time when its removal would jeopardize . . . the successful transition to a healthy peacetime economy.

" . . . Other controls, notably those affecting prices, may have even an increased importance for a period after production controls are ended. They will be our chief protection against inflationary pressures in the transition period while production is being expanded, inventory pipe lines filled, and excess demand induced by wartime savings is being worked off."

4. During the limited period of its extension, the inequities and obstacles to production which result from price control must be reduced by streamlining present procedures and liberalizing existing standards.

THE DANGERS IN PRICE CONTROL

Prices cannot be centrally controlled for any sustained period without inefficiency, inequity, break down of respect for law and, most important, serious danger to our personal and political freedoms. There are hazards in eliminating price control too soon, but the dangers in continuing it too long are even greater. The American people will not deliberately embrace regimentation. But there is a risk of drifting into regimentation—of accepting more and more controls in default of a positive program to reestablish free markets and curb inflation.

THE NEED FOR TEMPORARY EXTENTION OF PRICE CONTROL

The evidence of serious inflationary pressure is visible on every hand. Incomes are high, the public has an enormous amount of money, and the demands pent-up during and since the war are great. Although supplies for civilians are increasing, the public still wants to buy more of almost everything than is now being produced. Without price ceilings, the prices of many commodities would now be skyrocketing under the pressure of excess demand.

We look forward to a further expansion of production and must do everything possible to hasten this expansion. But it is not clear that production increases will of themselves, in the near future, eliminate the excess of demand. Expanding production will bring higher incomes, increased bank credit, and general optimism, and it might conceivably increase rather than decrease inflationary pressure.

The evils of inflation require no elaboration. Every group in this nation—including the business community—would reap irreparable loss from such a price increase as followed the last war. For some months price control will be a necessary protection against run-away prices. We should not abandon it prematurely.

How to get rid of price control rapidly without a serious general rise in prices will be discussed later. First we shall set forth our recommendations of the changes needed so that we can live with price control for a limited period.

RECOMMENDATIONS FOR REVISING PRICE CONTROL

Price control at present is unwieldy and often unfair. OPA acts too slowly to meet the needs of a rapidly changing peacetime economy. The pace of reconversion has been swift; it would have been even swifter if price determinations could have been obtained from OPA more quickly. The prospects for speeding up OPA's price-adjustment machinery are not good so long as present procedures continue. And the stabilization order of February 14 (Executive Order 9697) will result in a greatly increased number of price adjustments, materially increasing OPA's work load and extending delays.

Our recommendations are designed not to cripple but to simplify price control, to speed up its administration, and to correct its major inequities. They are:

1. Follow a resolute and affirmative policy in progressively suspending price ceilings. Remove controls first from those commodities which are not essential in the basic standard of living or critical in reconversion or which show an approximate balance between demand and supply.

Progressive removal of price control from all but scarce, essential commodities is needed to free the economy from controls as quickly as possible. Such a program will also permit the OPA to concentrate on doing a quicker and better job in the critical areas. And it will prepare for the final removal of all price control. The termination of effective price controls will involve some price increases. Getting some of these increases behind us while general price control is still in force, rather than postponing all of them to the end, will help to reduce the jolt of the final termination of controls.

It is difficult to establish a legislative formula for decontrol. But it would be appropriate to affirm in the Price Control Act the importance of vigorous, daring decontrol not only where supply is adequate to satisfy demand, but also in areas not important for the cost of living and not critical for reconversion and expansion of civilian production. In particular, the law might provide that any industry may apply for exemption from control and that exemption shall be granted if the industry can show that all buyers are being satisfied at the existing price.

We believe that, with a realistic notion of what is a necessity of life, many more goods would immediately become eligible for decontrol as luxuries. Also

there is an increasing opportunity to suspend ceilings on components and capital equipment without significant effects upon the cost of living or the general price level. Competition for long-run trade position makes for closer pricing in many industries. Where it can be demonstrated that such competition exists, OPA should take it into account as a factor favorable to suspension of price ceilings.

The principle of vigorous, progressive liquidation should apply to cost-of-living subsidies as well as to price ceilings. Elimination of these subsidies will require higher prices to consumers or lower returns to producers. These alternatives cannot be escaped by postponing the date for discontinuing subsidies. The cost-of-living subsidies are large in total volume; their inflatory effect is serious. We must get rid of them as rapidly as possible not only because they aggravate our fiscal and monetary problems but because the longer they persist the stronger will be the vested interests in their indefinite continuation.

2. Extend the use of automatic pricing procedures, under which producers compute their own ceilings, subject to OPA review.

The establishment of ceiling prices would be speeded and simplified if the responsibility for calculation of price ceilings under formulas specified by OPA were shifted as far as practicable to the individual businesses concerned. The prices so computed by a business would automatically become effective unless disapproved by OPA within a specified short period, and OPA would retain the right to revise these prices if determined incorrectly. Heavy penalties should be provided against fraud.

In many cases—the most important being industry-wide price adjustments—self-pricing procedures cannot be applied. But there are numerous provisions in OPA regulations for company-by-company price adjustments, such as the “general rescue” provisions which authorize price increases sufficient to permit a business to break even. This area of individual company adjustment should be thoroughly explored by the OPA with a view to extending the use of automatic pricing, and OPA should be directed to apply the system wherever feasible. At the least, automatic pricing could be used by businesses in industries that are near the line of eligibility for decontrol. In these cases the effects of possible looseness in the pricing process would be minimized by the relative unimportance of the product or the near balance of demand and supply.

3. Base price determinations on the actual record of industry operations, adjusted for definite abnormalities visible in the record but without attempting to forecast the future development of costs and revenues.

Executive Order 9697 provides that price adjustments shall be such as in the judgment of the Price Administrator will enable an industry, unless operating at temporary low volume, to earn an average rate of profit during the ensuing 12 months equal to the rate of return on net worth during its base period. In other words, the Price Administrator must forecast, for a year ahead, labor productivity, technological advances, and effects of capital improvements as well as changes in the volume of operations and the costs of labor and materials. This is an impossible task. The danger is only partly that the OPA estimates may be wrong. More important, the forecasting procedure will involve a maximum of delay and interminable, unresolvable disputes.

In recommending reliance upon past operating experience, we are mindful of the great abnormalities of costs and revenues that are reflected in the financial records of some industries for recent quarters. We suggest that inspection of the record and reference to past periods of more normal operation will reveal the major abnormalities and permit adjustments to be made for them. This will not be easy. But it is simpler, quicker and more objective than attempting to forecast normal costs and revenues 12 months in advance. Essentially the difference is between (a) taking the basic pattern of operations as given and estimating the effects of changes in a few, specified factors, and (b) throwing the door wide open for guessing about the future behavior of every item that affects net profits.

4. Liberalize the standards for price relief.

The general standards used by OPA in considering applications for price increases need to be liberalized. The present base used by OPA is ordinarily the ratio of earnings before taxes to net worth during 1936–39. This base period includes at least two definitely depressed years, and even the best years were not “good.” Moreover, corporation taxes are now much higher than in the base period, so that the present standard implies profits after taxes considerably below the 1936–39 ratio to net worth. Today profitable war business is gone, business risks have increased and wage rates are rising. The OPA standards now in use may force many industries down to profit levels which are unfairly

low and which will not provide adequate incentive to enterprise, especially to new enterprise.

It seems fair that the minimum earnings standard against which OPA measures applications for price relief be raised on the average by about one-third. A simple way of achieving this result would be to add 2 percentage points to the 1936-39 return on net worth for each industry. The product standard now employed by OPA permits raising the price of a particular product of an industry producing more than one product whenever average ceiling prices fail to cover average manufacturing costs. This should be changed to cover average total costs, including overhead.

These liberalizations would not guarantee to each firm the profits which it might expect in normal prosperity. They are minimum standards. They will protect industries against being squeezed far below the level of profits which the great bulk of industries might reasonably expect to exceed in normally prosperous times.

The revision of the product standard suggested here will reduce some of the price disparities which have held back output of essential low-priced items. However, it will still be necessary in some cases to raise price ceilings above the requirements of the general minimum standards in order to stimulate production of scarce commodities that are critical to the standard of living or the process of reconversion.

RECOMMENDATIONS FOR ENDING PRICE CONTROL

The modifications suggested above should make it possible to live with price control during the period of its continuation. Even with the changes suggested, however, positive planning for the early termination of price control is imperative.

1. Price control authority should be extended until the spring of 1947—between March 31 and June 1. In the meantime OPA policy should be affirmatively and definitely directed by progressive removal of controls and subsidies toward final termination of controls.

We do not regard this recommendation as a forecast that if nothing else is done it will be possible to end price control next spring without any price increases. Rather we consider that our recommendation establishes the end point of a schedule of Government action which is needed to create the conditions permitting the termination of price control without major, general price increases.

The terminal date now set can exert an active influence in the program for working ourselves out of the inflation versus price control dilemma. It can give to the necessary measures of selective decontrol and fiscal-monetary policy a sense of urgency which might otherwise be lacking.

To serve this function the terminal date should be such as to distinguish this extension sharply from the series of renewals that price control has already enjoyed. This is the important reason for setting the date somewhat before June 30, 1947.

2. Rent control may need to be continued for a somewhat longer period than other price controls.

The acuteness of the housing shortage, the length of time required to relieve it and the importance of rents in the consumers' budget justify an exception for rents in our general recommendation for the end of all price control. This does not mean that we can sit tight on rents. Area-by-area removal of rent controls will be possible and should be sought. The level of rents is now abnormally low in relation to incomes, other prices and costs of house construction and maintenance. A gradual rise of rental ceilings would not only be a matter of equity to property owners, it would also hasten the achievement of a balance between demand and supply of dwellings and so accelerate the removal of controls. We recommend that a general rent increase be allowed in the fall of 1946 and that further periodic increases be allowed during the remaining period of control.

Rent control is well adapted to decentralized administration. When the number of rent control areas has been sufficiently reduced so that rent control becomes the exception rather than the general rule, control in the remaining areas should be turned over to State or local authorities.

3. The early end of price control without the hazard of serious inflation requires full use of monetary and fiscal measures to eliminate excessive demand.

The Government has a responsibility to supplement and supplant price control by anti-inflation measures which do not restrict the full and free operation of the American productive system. In the traditional governmental functions of taxation, public expenditure, and monetary control we can find the necessary tools. We need a policy which will actually use these tools effectively to restrain inflationary pressure so long as the threat of serious price increases persists.

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 1909

This is a difficult and perhaps unpalatable recommendation. But in the transition to free markets we cannot be simultaneously and consistently against inflation, and in favor of low taxes, high Government outlays, and unlimited credit expansion. When stable prices and free markets are the objective, strict Government economy, steep taxes and monetary restriction are not too high a price.

ABOUT THE COMMITTEE FOR ECONOMIC DEVELOPMENT

WHAT IS CED?

To stimulate and assist private enterprise to plan realistically for expanded production, distribution and high levels of peacetime employment, the Committee for Economic Development, CED, was organized in 1942 as a private, nonprofit, nonpolitical association, under a board of trustees composed of some of the Nation's leading businessmen. Two divisions were set up—the research division and the field development division.

After 3 years of operation, the trustees have decided to—

- (1) Continue and expand the work of the research division.
- (2) Disband the national field development division, which has largely completed its assignment. Many local committees will, however, continue to function until their programs are completed.

THE RESEARCH DIVISION

In order to develop policies of Government, business, labor, and agriculture which will most effectively contribute to an expanding economy, the CED research division was organized. Under the CED bylaws: "All research is to be thoroughly objective in character, and the approach in each instance is to be from the standpoint of the general welfare and not from that of any special political or economic group."

The research division consists of three sections:

1. The research committees, composed entirely of businessmen. After months of careful study and frequent meetings with members of the research advisory board and research staff, the research committee issues statements on national policy, such as the following:

Postwar Employment and the Settlement of Terminated War Contracts, published October 1943.

Postwar Employment and the Liquidation of War Production, published July 1944.

Postwar Federal Tax Plan for High Employment, published September 1944.

Postwar Employment and the Removal of Wartime Controls, published April 1945.

International Trade, Foreign Investment, and Domestic Employment, published May 1945.

The problem of Change-Over Unemployment, published August 1945.

Toward More Production, More Jobs, and More Freedom, published November 1945.

Agriculture in an Expanding Economy, published December 1945.

The research committee is also charged with the responsibility of selecting subjects for study and authorizing independent research reports by outstanding experts. (See p. 14 for a list of research reports.)

2. The research advisory board. Composed of economists and social scientists. This board consults with the research committee and gives the businessmen the benefit of specialized knowledge. It also has the responsibility of approving, in terms of technical competence but not in terms of content or conclusion, the independent research reports prepared by experts for the research division.

3. The research experts. Economists and social scientists are selected by the research director to write reports or monographs in the fields of their specialized knowledge.

Once a subject is assigned, the economist has complete freedom of conclusion and expression. The results of his research are discussed at frequent meetings of the research committee of businessmen, sitting with the research advisory board of economists and social scientists. As the facts are clearly developed, the areas of disagreement are gradually narrowed down. The author is, however, the final authority on both the content and the wording of his report, and thus he alone is responsible for its conclusions, which may or may not agree with a statement on national policy which may be issued on the same subject by the research committee of businessmen.

1910 EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942

The following research reports have been completed and published by the McGraw-Hill Book Co., Inc.:

The Liquidation of War Production, by A. D. H. Kaplan.

Demobilization of Wartime Economic Controls, by John Maurice Clark.

Providing for Unemployed Workers in the Transition, by Richard A. Lester.

Production, Jobs, and Taxes, by Harold M. Groves.

International Trade and Domestic Employment, by Calvin B. Hoover.

Agriculture in an Unstable Economy, by Theodore W. Schultz.

Jobs and Markets, by CED research staff.

THE VALUE OF ECONOMIC RESEARCH TO INDIVIDUAL BUSINESSMEN

The efforts of individual businessmen and companies to expand and increase employment—important as they are—cannot succeed unless we have a favorable “economic climate” in which individual plans will have a chance to become realities.

CED urges every citizen to study research material prepared by all groups—to “get the facts” and so arrive at his own conclusions as to how our free economy can be made to function better in the interests of all our people.

THE FIELD DEVELOPMENT DIVISION

During the 3 years of its operation, the field development division's basic job was to encourage bold and realistic planning by individual businessmen for more production, sales and jobs in their own companies.

To do this, approximately 2,900 local CED committees were organized—in most communities of 10,000 population or over as well as in many smaller towns and villages. Over 60,000 individual businessmen, volunteer members of these local CED's, were in contact with an important segment of the Nation's 2,000,000 business employers. Each local CED committee had complete autonomy in developing its own program for expanded production, distribution and employment.

Thus, company by company and community by community, businessmen in the United States were urged to plan for expanded production, distribution, and employment in the postwar period. Estimates indicated that, in order to provide the 7 to 10 million more peacetime jobs which would be needed when the war ended, business in the United States needed to set its postwar goal at 30 to 45 percent more business volume than in 1940.

The results of the intensive activity of CED and other organization became apparent soon after Japan surrendered. Reconversion was ahead of schedule, having progressed much more rapidly than many had believed possible. Within 3 months after VJ-day more than 52,000,000 workers were employed gainfully in this country. Unemployment, estimated by the United States Bureau of Census at only slightly more than 2,000,000 as 1946 began, was only a fraction of the total which had been forecast for that time by many economists and officials. Surveys made by local CED's and a report by the CED marketing committee, American Industry Looks Ahead, indicate that reconversion will be completed by the end of 1946 and that national production of manufactured goods will, in 1947, show a 42 percent gain over 1939. (Copies of the marketing committee's report, American Industry Looks Ahead, may be secured from CED national headquarters, 285 Madison Ave., New York 17, N. Y., at \$1 a copy.)

Nationally, the field development division acted as a clearing house for the best ideas on company planning. It sought to provide CED community committees, and through them individual businessmen, with all possible assistance in working out sound plans for expanded peacetime operation. This assistance took the form of handbooks, sound slide films, charts, etc., suggesting step-by-step planning procedures. To prepare this material, CED mobilized the Nation's outstanding business experts in various phases of business activity—management, sales, advertising, marketing, etc. These experts, formed into 27 action and advisory committees, pooled their know-how for the benefit of all businessmen.

Peacetime expansion plans are important first to the company or individual businessman making the plans. They are almost equally important to the community of whose economy the given business is a part. Finally, every separate plan prepared and put into effect by America's more than 2,000,000 business employers, large and small, is important to America as a nation.

With the termination of the national field development division—a “task force” organized to assist business to plan boldly and soundly for high levels of peacetime production and employment—members of community committees will wish to decide how best to cooperate with various organizations in a program to make each

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 1911

community a better place in which to live and a place in which each of its citizens can earn a better living. The future of America will be decided on Main Street.

CED BOARD OF TRUSTEES

Paul G. Hoffman, chairman; president, the Studebaker Corp., South Bend, Ind.
Marion B. Folsom, vice chairman; treasurer, Eastman Kodak Co., Rochester,
N. Y.

W. Gibson Carey, Jr., president, the Yale & Towne Manufacturing Co., New
York, N. Y.

Frank A. Christensen, vice president, the Continental Insurance Co. and
Fidelity & Casualty Co., New York, N. Y.

W. L. Clayton, Assistant Secretary of State for Economic Affairs, Department
of State, Washington, D. C.

Chester C. Davis, president, Federal Reserve Bank, St. Louis, Mo.

Milton S. Eisenhower, president, Kansas State College of Agriculture and
Applied Science, Manhattan, Kan.

Ralph E. Flanders, chairman of the board, Jones & Lamson Machine Co.,
Springfield, Vt., and consultant to the board, Federal Reserve Bank of Boston,
Boston, Mass.

Clarence Francis, chairman of the board, General Foods Corp., New York, N. Y.

Walter D. Fuller, president, Curtis Publishing Co., Philadelphia, Pa.

Lou Holland, president, Holland Engraving Co., Kansas City, Mo.

Charles R. Hook, president, the American Rolling Mill Co., Middletown, Ohio.

Jay C. Hormel, president, Geo. A. Hormel Co., Austin, Minn.

Regan Houston, Industrialist and Merchant, San Antonio, Tex.

Eric A. Johnston, president, Brown-Johnston Co., care of Chamber of Commerce
of United States, Washington, D. C.

Harrison Jones, chairman of the board, the Coca-Cola Co., Atlanta, Ga.

Fred Lazarus, Jr., president, Federated Department Stores, Inc., Cincinnati,
Ohio.

Thomas B. McCabe, president, Scott Paper Co., Chester, Pa.

Reuben B. Robertson, executive vice president, Champion Paper & Fibre Co.,
Canton, N. C.

Harry Scherman, president, Book-of-the-Month Club, New York, N. Y.

Robert Gordon Sproul, president, University of California, Berkeley, Calif.

Elmer T. Stevens, president, Charles A. Stevens & Co., Chicago, Ill.

John Stuart, chairman of the board, the Quaker Oats Co., Chicago, Ill.

Wayne C. Taylor, 1743 Twenty-second Street NW., Washington, D. C.

Sidney J. Weinberg, partner, Goldman, Sachs & Co., New York, N. Y.

Charles E. Wilson, president, General Electric Co., Schenectady, N. Y.

Executive director: C. Scott Fletcher.

Treasurer: Henry R. Johnston.

Secretary: Elizabeth H. Walker.

Director of information: P. D. Fahnestock.

MONSANTO CHEMICAL CO.
St. Louis 4, Mo., April 16, 1946.

HON. ROBERT F. WAGNER, *Chairman,*
Senate Banking and Currency Committee,
Congress of the United States, Washington, D. C.

MY DEAR SENATOR WAGNER: In connection with your committee's considera-
tion of the price control bill and extension of the life and authority of OPA,
the management of this company takes opportunity to submit the following state-
ment for inclusion in your record of committee hearings.

H. R. 6042, which is the House Banking and Currency Committee bill, contains
the following new provision (sec. 7) which applies to all commodities now under
the jurisdiction of OPA:

"Section 2 of the Emergency Price Control Act of 1942, as amended, is amended
by adding at the end thereof the following new subsection:

"(o) After the date upon which this subsection takes effect, no maximum price
shall be established or maintained, under this act or under any other provision of
law, with respect to any new commodity the use of which, in the production,
manufacturing, or processing of any commodity or commodities, without increas-
ing the cost to the ultimate user, either increases the life or reduces the cost of

production, manufacture, or processing of the commodity or commodities produced, manufactured, or processed. As used in this subsection the term 'new commodity' means a commodity which was not commercially or industrially available prior to January 30, 1942." (H. R. 6042, sec. 7, p. 8, line 15.)

The OPA did not object to this amendment, which was offered by Congressman Peter A. Quinn, of New York, and it was unanimously adopted by the House committee.

We urge that this provision be adopted by your committee as well. We believe it to be a step forward in price-control legislation. It increases benefits to the common man without any increase in cost, and it is economically sound and necessary in the national interest. The following are our reasons for supporting this necessary addition:

It is well established that the function of OPA is to prevent a rise in the cost of living and to prevent inflation. However, it is our belief that the present legislative authority for the OPA is so broad as to permit policies now in force to tend to the opposite result. If OPA is to be continued, the continuance of these policies must specifically be prohibited by the Congress.

As you know, the chemical business is a relatively young industry and a dynamic one. Occasionally new products are evolved, as a result of research, whose use decreases the cost of living. One instance is the use of chemical accelerators in rubber which had a large part in increasing the life of tires from 3,000 miles to the present 30,000 miles. The element of the cost of living represented by tire usage would have been greatly reduced whether the price of the accelerator were \$1 or \$3 per pound.

As a result of constant research, new products that perform such services in every conceivable field may now make their appearance. It is in the national interest that the full development of such products be encouraged. The more of those products that come upon the scene of our national economy the more of the unavoidable increases and other elements comprising the cost of consumer goods that can be absorbed without increasing the ultimate cost of living. It must be remembered that a new product performing a new service cannot increase living costs because it will not draw purchasing power unless it can give better value or lower use costs. New chemical products will not find acceptance unless they increase living standards or overcome critical shortages. The same is true of the products of all other phases of American industry.

At present OPA's rulings restrict the margin of profit on new products to the current experience of the manufacturer in his normal trade. These rulings do not permit a sufficient margin to compensate for the cost of research and experimentation usually necessary in such new developments.

To free new materials and products from price regulation without danger to the cost of living would have a most beneficial effect upon those companies whose research work is producing newer and better things for the public. An increased incentive to intensify research on this class of products would be certain if such companies can be assured a fair return for their research expenditures. Inevitably, the national economy and our standards of living will be the benefactors.

We, therefore, respectfully urge that your committee adopt section 7 (o) of H. R. 6042, quoted above, for the benefit of industry and the consuming public.

Please feel free to call upon us for any further information which you may desire concerning this matter. We stand ready to be of any assistance possible to your committee.

Sincerely yours,

WILLIAM M. RAND, *President.*

TUFTED TEXTILE MANUFACTURERS ASSOCIATION,
Dalton, Ga., May 11, 1946.

HON. ROBERT F. WAGNER,
United States Senate, Washington, D. C.

DEAR SENATOR WAGNER: We desire to acknowledge with appreciation your letter of April 23.

We have been furnished with copies of an explanatory letter by Mr. Rose, Textile Division of Civilian Production Administration, by several Members of Congress. These copies contain a gross misstatement as applied to the chenille and tufting industry in that it leaves the impression that Order No. M-317C does not have the effect of taking from our industry any substantial portion of sale yarn formerly available. The 70 percent set-aside relates to the total production by yarn mills.

Our industry is principally supplied by yarn mills which produce for sale to our industry 100 percent of their sale yarn. Obviously, a reduction from approximately 100 to 30 percent will have the effect of reducing the volume of tufted products by more than 50 percent, giving full credit for the yarn available from mills not now delivering more than 30 percent of their production of sale yarn to this industry.

The mills delivering more than 30 percent of their sale yarn to this industry have appealed from the order. So far as we know, none of these appeals have been processed although representatives of this industry were definitely promised by Mr. S. B. Smoot of Civilian Production Administration, that such appeals would be processed within three days after receipt.

For your information we are enclosing herewith a copy of a statement made by the writer to the Senate Banking and Currency Committee the early part of last week. It contains such facts about our industry as will enable you to intelligently appraise the difficulties and hardships that have been imposed upon us from time to time by Government agencies which could hardly have been worse had malice been the motivating cause.

We sincerely appreciate your interest and solicit your continued efforts to see that our industry is accorded such consideration as decency and fair play requires under a democratic system of Government. The members of this industry located in your State are being notified of your interest.

Yours very sincerely,

R. CARTER PITTMAN, *President.*

Enclosure.

TUFTED TEXTILE MANUFACTURERS ASSOCIATION,
Dalton, Ga., April 30, 1946.

STATEMENT OF R. CARTER PITTMAN, OF DALTON, GA., PRESIDENT OF THE TUFTED TEXTILE MANUFACTURERS ASSOCIATION, ON SENATE PRICE CONTROL EXTENSION BILL NO. 2028 BEFORE THE BANKING AND CURRENCY COMMITTEE

The Tufted Textile Manufacturers Association is the national association of manufacturers of tufted products, representing an industry composed of more than 350 small manufacturers having more than 10 employees, and approximately 2,000 manufacturers having less than 10 employees.

The tufting industry, sometimes referred to as the "chenille industry" or as the "bedspread industry," originated at Dalton, Ga., more than 25 years ago as a hand work industry and began changing over to machinery around 1935. The enactment of the Wage-Hour Bill subsequently completed the conversion of the industry to machinery. The products now made are bedspreads, women's and children's housecoats, rugs and bath mats. Although the industry was confined to the Dalton area almost exclusively prior to 1938, it has now spread into 24 States and now there are many plants in the East, Midwest, West and Southwest. Nevertheless, approximately 80 percent of the industry is still centered in the Southeastern States. The industry uses and can use only cotton. Manufacturers of synthetics have done a great deal of research and experimentation in an effort to find ways to use their materials, but without success. In the fourth quarter of 1945, while materials were seriously restricted, the tufting industry used approximately 12,000,000 yards of sheetings, 3,500,000 square yards of duck and 10,500,000 pounds of coarse cotton yarns. Approximately one-half of the sheeting had a width in excess of 72 inches and the other less than 72 inches. Under normal operating conditions this industry will consume approximately 1 out of every 40 bales of cotton produced in the United States.

Sewing machines principally used in the tufting industry are machines that were obsolete in the sewing industry 25 years ago and were recovered from junk yards, reworked and rebuilt with chenilling attachments. This industry was largely responsible for stopping the exportation of obsolete yarn spinning machinery to Japan and other low-cost labor countries before the war because tufting yarn is so coarse and substandard as to make the continued use of such machinery profitable here.

At the outbreak of the war there were approximately 60 manufacturers of tufted products in the United States. More than 90 percent of their output consisted of tufted bedspreads (principally chenille, which means a continuous line of tufting). More than 75 percent of the bedspreads are purchased and used by poorer people for warmth. Those in the higher income group buy tufted products largely because of the beauty and ornamentation, while those in the lower income

group use the heavier and less ornamental products as the most practical and economic bed coverings for warmth. For example, the American Negro is, on a per capita basis, the biggest customer for tufted bedspreads. The beauty of tufted bedspreads has driven silk and nylon from the beds of movie queens, and their warmth, comfort, and low cost are driving piece-quilts, shoddy blankets, and rags from the common man's bed. More than 80 percent of the chenille housecoats are purchased for warmth and practical utility by housewives who use them in lieu of house dresses during a large portion of the day while performing their chores about the home.

A short time after the outbreak of war it was determined by the various agencies, set up by Congress or by Executive order to control American economy, that the manufacture of tufted products was either an evil or an unfair competition with old-line manufacturers, or that in some way it impeded the war effort. One order after another was promulgated directed in generalities at the tufting industry to kill it. To the great chagrin of the bureaucrats, the industry seemed to have the nine lives of a cat and continued to breathe, though faintly. Finally it was found that in order to kill the industry it was necessary to abandon subterfuge and prescribe it by name. Consequently the War Production Board issued an order on the 27th day of December 1944, being directive 9 to WPB Order M317, which made it unlawful to "embody any cotton yarns in a tufted or chenille product." That was the lethal blow that finally took the ninth life of the industry. That is the only shameful instance in the history of the United States where a lawful industry has ever been singled out by name in a death sentence. No hearing or notice was given or had. The eye first saw the guillotine as the head fell from the block.

A few months later the industry was permitted to resume production provided the manufacturers would be good and first sell all of the good yarns they had in inventory to the Army. They were told, in effect, that they could eat if they would surrender all their food. Many manufacturers submitted to that duress and their yarns now needed in the national economy are now occupying valuable space in the Philadelphia Army Depot. That, in spite of the fact that efforts to restore these yarns to the industry through communications with the War Assets Corporation have been unavailing; that, in spite of the fact that the Civilian Production Administration issued an order, M-317C on April 22, 1946, the effect of which, if enforced, will again virtually close down the tufting industry by taking from it from 50 to 60 percent of the sale yarn now available to it. That, in spite of the fact that the Army never has asserted through any responsible person that it has ever used any of the yarn for any purpose except to tie up a few laundry bundles at a few Army camps, or that it has or will ever need it; that, in spite of the fact former WPB officials, now in other agencies, treat the whole matter as a joke to be enjoyed rather than as a mistake to be regretted.

THE OPA AND THE TUFTING INDUSTRY

As mentioned heretofore, there were approximately 60 manufacturers of tufted products at the outset of the war, of all sizes. There are now in excess of 2,000 manufacturers of all sizes. There are many legitimate reasons for the great increase in the number of manufacturers, but the outstanding one is that the Office of Price Administration threatens enforcement and "hell to pay" as to old and established manufacturers, while permitting others to take over the market with absolute abandon. Bedspreads are priced under GMPR. Under it an old manufacturer's ceiling price is set at the price for which he sold the same or similar article in March 1942. A new manufacturer who neither made nor sold such products in March 1942, has no automatic ceiling and either he gets no ceilings set or they are set by some former shoe clerk, in line with nothing more substantial than a dream. Immediately another new manufacturer grabs the items that the shoe clerk priced at what he, in his ignorance, thought it would cost him to make it, and gets his prices set on a "comparable" basis by the same or a similar shoe clerk. If such new manufacturer cannot buy raw materials at ceiling he may well pay three times ceiling prices in the black OPA market and still make a profit. That he often does. Why shouldn't 2,000 other people do the same thing?

After March 1942, the OPA has raised the ceiling on cotton yarns and shee'ing numerous times so that today the costs of raw materials used in the tufting industry are more than 40 percent higher than in March 1942 (producers of raw materials have Washington offices while the tufted textile manufacturers do not). Wages approved by the War Labor Board are up at least 47 percent over March 1942. On March 16, 1946, an order was issued by OPA known as SR15

amendment 47 which, for the first time, provided a method whereby a manufacturer in business in 1942 could apply for an increase in the sales price of his products to cover 90 percent of the approved increased cost of his direct labor and the increased ceiling costs of raw materials, on items sold to department stores at \$6 or less in 1942. The old manufacturer is supposed to absorb the entire increased cost on items above \$6. No provision was made for increase in cost of indirect labor and manufacturing burden. The tufting industry requires more indirect labor than any other comparable sewing industry in the United States due to the excessive bulk and handling of the product and the home-made character of the machinery used.

The costs of yarns and sheetings in March 1942, amounted to approximately 46 percent of the selling price of tufted bedspreads. Direct labor amounted to approximately 22 percent. The manufacturers profit averaged around 6 percent. Under GMPR, SR-15, amendment 47, it is necessary for the old law abiding manufacturer to absorb at least 40 to 68 percent in his 6 percent. In other words, the old law-abiding manufacturer is forced to absorb a 27 percent increased cost of materials and direct labor in his 6 percent profit, while the increased cost of indirect labor and factory burden presumably must be paid out of some rich uncle's estate.

What has actually happened? With no right to question the wisdom or justice of such agency made legislation in the courts the old bedspread manufacturers have found a convenient way to avoid bankruptcy by adopting and using what is secretly known among such "culprits" as the "elastic conscience method" of pricing bedspreads. Unfortunately all consciences do not have the same elasticity and while one manufacturer's bedspread may be priced at \$6.50, a comparable bedspread may be priced by another manufacturer at \$10.50. The new manufacturer may or may not need to use the "elastic conscience method," depending on what shoe clerk he interviewed at the local OPA office. We hasten to state that the majority of the manufacturers apply the "elastic conscience method" of pricing most conservatively trying merely to approximate the historical margin of profit, while a few apply it with reckless abandon. Above the shoe clerk level, honest OPA officials realize that under GMPR they are helpless to bring order out of chaos. Offered a job of equal ease and equal authority to order natives around and with equal pay, in some other governmental agency, such officials will admit their utter official helplessness and uselessness and personal frustration.

The policy, or lack of policy, on the part of OPA has created black market operations in cotton sheetings, duck and cotton yarns, to which we must apply the term "lack of conscience" rather than "elastic conscience." Wide sheeting with a ceiling of around 38 cents per yard frequently sells in the black market for as much as \$1.25 per yard. Yarns with a ceiling of less than 50 cents per pound frequently sell at around 80 cents per pound. Employees of OPA on the shoe clerk level have set the price of dyed yarns far out of line with the price of natural yarns. Consequently many yarn mills have quit producing natural yarns, which is the yarn principally used in the tufting industry, and suddenly found that they are equipped only to manufacture dyed yarns. Mill representatives openly offer yarns dyed with a "fugitive" dye with a guarantee that the fugitive dye will disappear after one washing. Some of them no longer go to the trouble to buy fugitive dyes. Instead they get a handful of red mud and drop into the dye vats. So far no such manufacturer has been required to make good his guarantee.

Some sheeting manufacturers now sell only more profitable dyed sheeting to the tufting industry although the industry uses principally grey sheetings. They make it clear that the sheeting may be overdyed without affecting the quality of the product. Many sheeting mills gleefully yielded, at more profitable ceilings, to the solicitation and orders of the Government agencies to decrease their production of grey sheetings and increase their production of finished sheets. They have put in large finishing departments to make finished bedsheets, tied with ribbons and ready to go on the department store counters. They then dispose of these bedsheets to a broker just recently introduced to their selling agent by a special friend on Worth Street. The broker ships them in carload lots to tufting manufacturers, who rip out the hems, sew on the tufting, dye them, and ship them back to the same jobber as finished bedspreads. The jobber then sells the finished product at an exorbitant price. During the extreme scarcity of bedsheets, tufting manufacturers, unable to buy grey sheeting, converted hundreds of thousands of finished sheets into bedspreads. At the very time when newspapers were carrying interviews with the heads of governmental agencies as to the great work they were doing to put bedsheets back on the counters of department stores, such bedsheets

were going into bedspreads at less profit to the bedspread manufacturer and more profit to the jobber and the sheeting mill. That was true in spite of the fact that representatives of the tufting industry kept the headline-hunting bureaucrats fully informed of the facts. The ones who were informed confessed inability to deal with the situation thus created. If they didn't know how to put out the fire, why did they play with fire in the first place? Yes, the fire is still burning. In spite of low income the working man had rather stay warm under a \$14.95 bedspread than to freeze under a \$2 sheet. Everyone is happy except the bedspread manufacturer and the buyer. The sheeting mill made 40 cents more on the sheet, the jobber made \$3 more on the bedspread than he would have made on the sheet, the department store made \$1.20 more on the mark-up than it would have made if grey sheeting had been used, but the worker paid \$6 more than he would have paid if the manufacturer had used grey sheeting and had made 50 cents on the spread instead of 35 cents and the department store had sold the spread for \$8.95. For more than 2 years OPA has condoned and encouraged this practice in the guise of holding costs of living down for the workingman. (The \$1 discrepancy is where the Worth Street friend comes in.)

Tufted housecoats are controlled by MPR 570. That order covers the pricing of all women's wearing apparel. The OPA, until recent weeks, has never called on any element of the tufting industry to name an industry advisory committee to work with it. When MPR 570 was drawn up, the tufted housecoat industry was not represented and, as to be expected, the industry could not live under it. Two basic reasons are:

- (1) The cost price ratio allowed under this order is too low for the tufting industry;
- (2) The cost record-keeping provisions are absolutely impossible for the tufting industry to comply with.

When the order was drawn up, it was drawn up by committees representing the various eastern manufacturers who make their housecoats or garments out of finished materials such as flannels, print goods, etc. This order allows only certain direct costs to be figured into the cost of the garment. Over this cost, it allows a certain mark-up to obtain selling price which must include all other costs. This is known as the cost price ratio.

In the tufting industry, and particularly in the manufacture of housecoats, there is much more indirect labor than in any other sewing industry. An ordinary housecoat is cut from a bolt of print goods and sewed together and is in a shipping carton within 1 day. The raw products going into a chenille housecoat lose their identity before they reach the cutting table due to the fact that chenille is usually placed on sheetings before the cutting. The chenilling, laundrying, dyeing, inspections, reinspections, mending and remending, assembling, etc., necessary in manufacturing a chenille housecoat requires an enormous amount of indirect labor. It is the one sewing industry where indirect labor and factory burden costs equal direct labor costs. MPR 570 makes no allowance whatever for indirect labor such as mending, inspections, handling, machine fixing, etc., as a part of the cost of manufacture and the cost price ratio was set too low for break-even manufacturing; consequently obedience to MPR 570 would mean bankruptcy.

With reference to the records that are required to be kept by MPR-570, such provisions are impossible to comply with. For example, the order requires that cost be kept at every single cutting. That is impossible as to chenille housecoats because cuts necessarily become mixed up and the manufacturer cannot allocate various invoices to the various cuts. Frequently the chenilling is done several weeks before the cutting, and, after the cutting, it is usually several days before the goods are in shipping boxes. Chenille housecoat manufacturers contacted the Atlanta office of OPA and discussed the matter with officials there. The Atlanta office sent cost accountants to make a study of the industry and found it true that the industry could not live under MPR 570. The Atlanta regional office recommended to the Washington offices that MPR 570 be amended so as not to apply to the tufted housecoat industry. Apparently the recommendation of the Atlanta office reached someone on the shoe clerk level in the Washington office and nothing has been done. Chenille housecoat manufacturers are also applying the elastic conscience method of pricing their products in order to stay in business.

MPR 188 covers tufted mats and rugs. The infirmities of that order are similar in many respects to the others. Time precludes a discussion of that order and its administration.

CONCLUSION

As heretofore noted, during the war the War Production Board and other agencies of the Government decided that tufted products were luxuries and unnecessary items, for the purpose of closing down the producer. However, for the purpose of attempting to control the price of necessities the OPA sought to impose such rigid controls as to force the manufacturer either to go out of business or undersell his manufacturing costs. In other words, for one purpose Government agencies have put tufted products in the class of evening dresses, fur coats, earrings, and diamond-studded wrist watches, while for another purpose other agencies have put tufted products in the class of work clothes, house dresses, underwear, and issued asinine orders requiring a shut-down or manufacturing at a loss. Had there been consistency, the industry would have been more long-suffering.

All of the tufting manufacturers who were able to do so during the war and long before the WPB death sentence converted to manufacturing such items as parachutes, cartridge belts, tents, mosquito nets, airplane wing covers, mattress covers, and numerous other items necessary in the war effort. While there was a patriotic incentive, every manufacturer engaged in the industry yielded to every Government order, including the death sentence, without protest. They importuned procurement agencies for an opportunity to make contributions in the war effort. They lost much time fooling with the Smaller War Plants Corporation before learning that it was regarded by all procurement agencies as a little bastard spawned by an erring Congress rather than a legitimate spawned by a prolific and proper executive. Finally they learned that in order to procure war contract it was most necessary not to refer to the Smaller War Plants Corporation. After learning that, they began to get war contracts and soon began to turn out millions of items for the war effort. The war is over. Now they tire more easily of being pushed around and kicked about. They want restored a government of laws and not of men. If they must have a government of men, they want men able to reason and able to make intelligent decisions and men who wear their badges of unlimited executive, legislative and judicial authority with dignity, poise, and kingly grace.

Nothing here said should be construed as opposition to honest and intelligent price control, as such, by Congress or elected officials. If a better officered administrative agency than OPA cannot be erected with a ceiling on its power to destroy and confuse the economy of the Nation, we should have none at all.

If the economic life or death of the farmer, the manufacturer, and other producers in this Nation must depend upon the vagaries, whims, and fancies of swarms of mental pygmies sitting upon regal thrones, appeal procedure should be provided to enable victims to reach a court before complete ruin is visited upon them—appeals from legislation by nitwits, not merely appeals from administration by shoe clerks.

A Congress of elected representatives of the people that will, in time of calm or peril, permanently surrender to a swarm of mental pygmies the power to legislate by decree and without hearings, and to enforce such decrees ruthlessly and without reason so as to force financial ruin upon the producers and fabricators of the materials necessary to our economy and well-being, is a traitorous body. The Constitution vested the power to legislate solely in Congress. If that power and authority can no longer be effectively exercised by Congress, but must be vested in some legislative agency not amenable to the will of the people expressed at the ballot box or by right of petition, then the judiciary with juries of the vicinage should be permitted to serve as a buffer and a shield until we can devise a better system.

 UNITED HOME OWNERS OF ILLINOIS,
Chicago, Ill.

RESOLUTION

We, the delegates elected to the central body of the United Home Owners of Illinois, an organization composed of property owners, gathered at a special meeting April 25, 1946, have adopted the following resolution:

Whereas property taxes, cost of coal, janitors' services and cost of maintenance have risen at least 30 percent, while rents for housing accommodations remain frozen at the March 1, 1942, level; and

Whereas, because rentals having been frozen, property owners have only limited funds for cleaning, decorating, remodeling, and repairs, the result being

unsanitary conditions in housing accommodations and property rapidly becoming depreciated, dilapidated, and useless, thus causing a greater shortage of housing accommodations; and

Whereas, because of unfair conditions created by OPA, many property owners due to a substantial hardship imposed on them will be forced to discontinue such services as are necessary to render housing accommodations comfortable: Therefore be it

Resolved, That we property owners, because of skyrocketing costs and increases in operation of income properties, do hereby petition each and every member of the Banking and Currency Committee to propose legislation permitting landlords to secure a 30 percent increase of rentals now in force and to have such other relief as to Congress shall seem fit.

Respectfully yours,

UNITED HOME OWNERS OF ILLINOIS,
By SIGMUND J. DRYANSKI,
President.
LILLIAN DOMZALSKI,
Secretary.

APRIL 16, 1945.

To Senate Banking and Currency Committee:

The Senate Committee on Agriculture, through its investigating subcommittee, filed an interim report February 13, 1946, signed by the following Senators: Elmer Thomas, chairman; Harlan J. Bushfield; B. K. Wheeler, and Tom Stewart. The committee investigated buying, selling, and handling of grains by CCC, and the announced ceiling by OPA to be placed on rye, effective June 1. The report says about OPA as follows:

"FINDINGS OF FACT

"The Office of Price Administration has announced that it will impose a ceiling on all rye, irrespective of the year produced, effective June 1, 1946, which will create a roll-back overnight to the producer, of an average of 75 cents per bushel from present prices. Rye, like wheat, is a world commodity and has a world price. The announced action, if followed through, will be nothing short of confiscation. Such action will depress the price to our producers just before harvest, far below the world price, discouraging much needed production and also encouraging an export black market, as prices cannot be controlled abroad. Reports of crop conditions indicate at this time the 1946 crop will be only approximately 60 percent of domestic requirements with no allowance for exports.

"RECOMMENDATIONS

"The Office of Price Administration should reconsider imposing its announced ceiling on rye and should rescind such announcement. No action should be taken which will discourage production or impose a ceiling below the world market."

Chester Bowles and OPA have maintained that the ceiling, averaging \$1.31 to the farmer, will go into effect regardless of the committee's recommendations. Throughout the war there was never a ceiling on rye, but last fall, 2 weeks before planting of the 1946 crop, Mr. Bowles announced as required by the Price Control Act, a ceiling would be imposed on the 1946 crop. Later he set the effective date June 1, ruling it applied to both old and new crop rye.

Since the report was issued it has developed that the ceiling will apply only to the farmer and domestic user. The exporter of rye has no restrictions on exporting rye to Canada where the price is now \$2.60 per bushel. Upon payment of a 9-cent import duty, any grain exporter can ship U. S. rye down the Great Lakes and St. Lawrence waterway, selling it at the world price, which is about double the OPA ceiling price. Canada has never had a ceiling on rye during the war and has announced no intentions of imposing a ceiling.

With an OPA ceiling announced to become effective June 1, the large grain dealers and exporters are not anxious to buy the farmers' rye at a time it is needed so badly in commercial channels. After June 1 exporters can then buy the rye at ceiling \$1.31, or at a black-market price above the ceiling as seed rye, and export it, realizing the world price of over \$2.50 per bushel. The ceiling will, in effect, drive all of the United States produced rye into the black market, at the expense of the farmer, leaving our domestic processors without grain.

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 1919

As of April 15, the Department of Agriculture reports there are only 605,000 bushels of rye in Chicago, compared to 9,091,000 a year ago. There is now only 10 percent of the rye on hand in Chicago to fill the outstanding future contracts for May delivery, which total approximately 6,000,000 bushels. This tight supply condition shows that the grain dealers are not buying the farmers' rye at present prices to fill the outstanding contracts. This condition shows there are earmarks of a corner on the market by these large dealers and their associates. There is no legitimate domestic dealer or consumer of rye who wants to pay \$1 per bushel premium over the ceiling price for delivery at the close of business May 31, whereas the ceiling becomes effective that midnight. Secretary Clinton Anderson, realizing the situation, has twice asked the Chicago Board of Trade to discontinue its present operations in May rye trading but has twice been refused by the Board of Trade.

On April 12 Senator Elmer Thomas issued an appeal to Secretary Clinton Anderson to start a campaign to buy the farmers' rye through the CCC. The CCC can hedge the purchases on the Chicago market for May delivery to avoid taking any losses. This will enable the farmers to realize the present world prices for their 1945 rye; also help relieve the present critical grain situation by placing the stock of rye still on the farm, 3,326,000 bushels, into a commercial position and out of reach of the black marketeer. So far the Department of Agriculture has not announced any plans as requested by the Senator.

I have been informed by OPA, as of April 15 it plans to go ahead and impose the ceiling as announced, regardless of the roll-back in price and lack of restricting exports through Canada and the resultant black market. It appears that Chester Bowles and the OPA are "hell bent" on placing a ceiling on rye regardless of the adverse effects to the farmer-producer, domestic processor, and domestic consumer. With such a bullheaded attitude and lack of administrative flexibility, Mr. Bowles and his controlled OPA have turned millions of good Americans into black marketeers, creating a situation similar to the last prohibition days.

I was, in 1942, one of the four operations executives in charge of field operations for OPA. I turned down so many crackpot plans as unworkable that I was branded a conservative and later transferred to the Budget Branch. When I was instructed to help get the budget put through Congress by promising anything just so we get the money, I couldn't take it any longer. Since that time Chester Bowles has advanced from a State director of OPA to Economic Stabilizer; however, he has continued with the same type of men, on the same track, substituting controlled economy for free enterprise. The ceiling to be imposed on rye, as above outlined, is only an example of what Mr. Bowles plans to do about cotton—unless stopped by Congress.

Respectfully,

DYKE CULLUM.

INDEPENDENT PETROLEUM ASSOCIATION OF AMERICA,
Washington, D. C., May 14, 1946.

HON. ROBERT F. WAGNER,
United States Senator, Senate Office Building,
Washington, D. C.

DEAR SENATOR WAGNER: I am enclosing herewith copy of my letter to Senator Robert F. Wagner with regard to the testimony of Mr. Paul A. Porter, Price Administrator, when he appeared before the Senate Banking and Currency Committee on May 10. I have asked that my letter be incorporated in the record of the hearing.

I thought this would be of interest to you.

Sincerely yours,

R. B. BROWN.

MAY 13, 1946.

Senator ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR WAGNER: On May 10, 1946, Mr. Paul A. Porter appeared before the Senate Banking and Currency Committee at which time he testified at considerable length on the matter of petroleum and also filed a supplemental statement on this subject.

Mr. Porter did not directly challenge any of the fundamental evidence adduced by the petroleum industry but by vague generalities left certain inferences which should be answered. It is therefore requested that this communication be incorporated in the record of the hearing.

At the outset, however, it should be pointed out that Mr. Porter did not attempt to refute the following indisputable controlling facts:

1. That the supply of crude petroleum is not only in balance but exceeds current and foreseeable demand.

2. That there is surplus refinery capacity for domestic requirements of petroleum products.

3. That there is adequate transportation facilities for petroleum and petroleum products.

4. That the competitive condition in the industry is so strong as to insure free functioning of the laws of supply and demand to prevent unreasonable price for such products to the consumer.

5. That the policy under OPA was creating monopoly.

These facts have existed since VJ-day. These are the fundamental facts involved in the question of decontrol of the petroleum industry. They stand unchallenged. Yet, Mr. Porter, in response to questions of members of the committee as to when, in view of these compelling circumstances, the petroleum industry would be decontrolled, could only say that the coal strike had interrupted their plan to decontrol and now "It may be midsummer or sometime thereafter, but certainly before fall it would be my expectation that that action (decontrol) would ensue." So we see the 8-month unjustified delay in decontrol of petroleum is now extended for at least another six or more months if left to Mr. Porter's discretion.

Comment was made by Mr. Porter on the effect on the drilling rate in the petroleum industry. He confuses exploratory wells and all wells drilled, thus arriving at an improper conclusion. It is true that the total of all wells drilled thus far in 1946 is running ahead of 1945, but attention should be called to the fact that this figure is far less than the normal prewar rate. At the same time it should be understood that wildcat completions thus far in the year 1946 are running behind 1945, and that wildcat wells accounted for less than one-quarter of the total of wells completed on the over-all drilling effort, that is with exploratory and development, and that exploratory and development wells during the war years was only one-half of the normal rate of drilling. This is based on the data from the Office of Price Administration survey. During the base years 1936-39 one well was drilled for every 60,000 barrels of oil produced. During the OPA period of 1942-44 only one well was drilled for every 120,000 barrels of oil produced. During the base-period years the industry discovered as a result of the normal rate of drilling, $2\frac{1}{2}$ barrels of new oil reserves for each barrel of oil produced. During the OPA period less than one barrel of new oil was found for each barrel of oil it produced.

New fields found in 1945 as a result of the exploratory wells drilled yielded less than 1 percent of the total crude petroleum produced for that year.

Mr. Porter compared the current price of crude petroleum with the depression years, during which time the average price of crude petroleum was far less than normal, or what is recognized to be a proper price in order to supply the reserves of petroleum. He also failed to take into consideration the factors of increased cost, which all of the information indicates is considerable. Another suggestion was made as to the effect on the cost of living. As indicated by Mr. Porter the staff of the Office of Price Administration and advisory committees in the industry were in session in Chicago on May 3 and 4, and a complete report by the advisory committee was made to the Office of Price Administration. Copy of this report has previously been furnished to you for the record, but in the event it has not previously been placed in the record I would like to have your permission to furnish it to you for that purpose. The report of the advisory committee recognized the recent 10 cent price increase on crude petroleum now in effect, and indicated the factors that would justify an additional 25 cents per barrel increase. Assuming this additional 25 cents was made effective by the Office of Price Administration, it would be a total over-all increase of 35 cents. The Petroleum Administrator for War made recommendation for 35-cent price increase during the existence of that office and at that time (1943) an analysis of the effect on the cost of living was made by Dr. John D. Gill, of Philadelphia, chairman of a committee of the Petroleum Industry War Council. It is pertinent here to quote from the conclusions then reached as to the effect on the cost of living, assuming the full increase recommended in the price of crude oil of 35 cents was passed on to the

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 1921

consumer in the form of increases in the price of petroleum products. I quote from that report as follows:

"* * * As the following table shows, petroleum components have relatively little weight in the total cost of living index:

	<i>Percent of total cost of living index</i>
Fuel oil.....	0.2
Kerosine.....	.1
Gasoline.....	.9
Motor oil.....	.1

"An increase of 0.85 cents per gallon in the price of petroleum products (approximately 35 cents per barrel) would increase the petroleum part of the index by 4.43 percent. The total index would be increased by fifty-eight one-thousandths of 1 percent, a rise which could not be shown by the index at its present level. The total (cost of living) index now stands at 124.8. The increase estimated above to be the result of a higher oil price would raise it to 124.846; the published index would not be changed at all * * *"

The entire petroleum industry is in agreement that there is no real shortage of crude oil or its principal products, that supply and demand are in balance, and that there is no possible necessity for price controls. In the face of all the evidence and testimony, the OPA says that these conclusions are "misleading and not in accord with our studies of this industry." What are the facts?

If there were a real shortage in the petroleum industry as implied by OPA, it is obvious that it would be reflected in one or more of the following ways: (1) A record level of crude-oil production, (2) reductions in crude-oil stocks to the lowest possible level, (3) capacity operation of refineries, (4) reductions in refined-product stocks to the lowest possible level, and (5) an increasing total demand threatening further shortages. None of these conditions exist. The facts disproving them are readily available to all.

First, with regard to crude-oil production, the present output (for the 4 weeks ending May 4, 1946) is 4,687,200 barrels per day. This production is 200,000 barrels daily below the rate reached last summer.

Second, as far as crude oil stocks are concerned, the total on May 4 equaled 221,911,000 barrels—higher than the level at the beginning of the year and about 10,000,000 barrels above the stock position at the end of the war.

Third, refineries in this country are operating at a rate of less than 4,700,000 barrels daily as compared with the peak operation of 5,000,000 barrels in 1945, indicating a spare capacity of more than 300,000 barrels per day.

Fourth, the storage situation for refined products does not show any evidence of shortage. The latest available information for May 4, 1946, shows a total of gasoline stocks of 98,548,000 barrels—an increase of more than 7,000,000 over the same period in 1945. Stocks of each grade of fuel oils (kerosene, light fuel oils, and heavy fuels) are above the 1945 level and are increasing steadily. Total fuel oil stocks during the last 4 weeks have increased 6,000,000 barrels (from 76,700,000 to 82,700,000).

Fifth, instead of an increasing total demand for petroleum, the trend is downward as shown by the following figures:

<i>Total petroleum demand, domestic and export</i> ¹	<i>1,000 barrels daily</i>
January and February (from U. S. Bureau of Mines).....	5,370
March and April (from weekly data).....	5,200

¹ To be supplied from U. S. crude oil, natural gasoline and benzol production and from imports.

The latest estimates by recognized economists anticipate that total demands for the entire year 1946 will approximate 5,100,000 barrels daily.

The coal strike and the resulting possibility of increased use of fuel oils will have a relatively small effect on the supply and demand for petroleum. Other factors—principally prices and normal seasonal changes in consumption—are so much more important that conversions from coal to oil cannot possibly be the cause of shortages. The following data indicate how the coal strike might affect petroleum supplies.

Table I, attacked, shows the consumption of fuel oils by principal uses as reported by the United States Bureau of Mines. It will be noted that power plants, mining, and manufacturing consumption represents roughly 20 percent

(about 400,000 barrels per day) of the total fuel oil demand. Some industrial consumers have stand-by facilities permitting the use of either coal or oil. The best evidence available indicates that the maximum conversion possible from coal to oil could not result in an increase of more than 25 percent of the 400,000 barrels or an additional demand for fuel oil of 100,000 barrels daily. There is considerable doubt that the possible conversion would total this large a quantity.

Assuming the maximum conversion of 100,000 barrels per day, it is apparent that this would be equivalent to less than 5 percent of the total fuel oil demand. The relative unimportance of this quantity is shown by comparing it with normal fluctuations in fuel oil usages. In table II, the fuel-oil consumption by months during 1945 and the first four months of 1946 is shown. This consumption varied from 2,596,000 barrels daily in January of last year to 1,729,000 barrels per day in September 1945 a fluctuation of 867,000 barrels or more than double the entire industrial fuel-oil consumption and almost 10 times the possible conversion quantity of 100,000 barrels daily.

An official of one of the largest refining companies recently explained the Navy's difficulty in obtaining fuel oil as follows:

"There is a shortage of residual fuel because with the present ceiling prices a refiner would lose—out of pocket—between 25 and 50 cents on each additional barrel of Navy special fuel oil he manufactured."

This explanation will hold true if there is any difficulty in supplying the small additional fuel oil demands created by the coal strike. It is obvious that there cannot be any real oil shortage. The only possibility is a continuation of the maladjustments in the quantities of the various products manufactured from a barrel of crude oil caused by a rigid and arbitrary price control policy.

During the appearance of Mr. Porter before your committee it was developed that that office had previously indicated a decontrol program to be effective prior to June 30 of this year, but the testimony of Mr. Porter now is that this is highly improbable and he is now indicating some period of time between now and the fall of the year. All of this testimony indicates to us that the industry cannot confidently depend upon any definite action through the Office of Price Administration. We therefore again appeal to you to make provision for removing petroleum from the control of the Price Administration, so definite that there can be no room for further interpretation.

Very truly yours,

RUSSELL B. BROWN.

TABLE I.—*Analysis of distillate and residual fuel consumption, 1944 and 1945*

Use	1944		1945	
	Thousand barrels daily	Percent of total	Thousand barrels daily	Percent of total
Railroads.....	342	15.4	351	16.2
Vessels.....	288	13.0	334	15.4
Heating.....	416	18.8	470	21.6
Range oil.....	18	.8	24	1.1
Oil companies.....	154	7.0	164	7.5
Military.....	394	17.8	274	12.6
Miscellaneous.....	53	2.4		
Exports.....	156	7.0	125	5.8
Subtotal.....	1,821	88.2	1,742	80.2
Power plants.....	110	5.0	114	5.3
Mines and manufacturing.....	283	12.8	315	14.5
Subtotal.....	393	17.8	429	19.8
Grand total.....	2,214	100.0	2,171	100.0

Based on data from U. S. Bureau of Mines.

TABLE II.—*Distillate and residual fuel oil consumption*

		[Thousands bbls. daily]		
1945:			1945—Continued.	
	January.....	2, 596	October.....	1, 951
	February.....	2, 527	November.....	2, 167
	March.....	2, 315	December.....	2, 467
	April.....	2, 125	1946:	
	May.....	2, 222	January.....	2, 508
	June.....	2, 132	February.....	2, 405
	July.....	1, 993	March (preliminary).....	2, 200
	August.....	1, 890	April (preliminary).....	2, 100
	September.....	1, 729		

Data from United States Bureau of Mines except March and April 1946 which are estimated from weekly figures of American Petroleum Institute.

AMERICAN RIGHTS PROTECTIVE LEAGUE, INC.,
PASADENA CHAPTER No. 1,
Pasadena 4, Calif., May 2, 1946.

CHAIRMAN OF THE BANKING AND CURRENCY
COMMITTEE OF THE UNITED STATES SENATE,
Washington, D. C.

DEAR SENATOR: I am enclosing a copy of a statement which I prepared for Mr. A. I. Stewart, at his request, for him to take on his recent trip to Washington, D. C., in the interest of housing for the State of California, of which he is a member of the State legislature. We gave him three copies and asked him to leave his copies in the hands of members of the House and Senate committees working on the extension of the OPA and appropriations so they would know what is going on and could modify and streamline the present Rent Control Act to eliminate the present abuses, thereby helping to solve the present housing crisis. But when he returned, he said he was so rushed for time that he did not have time to see a single Senator or Congressman and that he had left his three copies with Chester Bowles, Paul Porter, and Ivan Carson. But we are fed up with bureaucratic dictatorship and want a return to our American form of government by our elected representatives.

If newspaper reports are correct, we notice that proposals have been made to change the merchandising aspects of the OPA but no mention is made of any proposed changes in rent-control administration, which leaves the owners of all the rental property wealth in the whole United States still at the meddling mercy of the present bungling rent dictators, all of whom, so far as we can determine, are themselves tenants and therefore prejudiced and completely ignorant of the many complex problems involved in the ownership and management of such property.

If rent control were confined to the one, and only one, justifiable function of "price" based on a fair and equitable professional realty board appraisal as outlined in my enclosed statement to Mr. Stewart, you could reduce the budget for rent control by at least 50 percent and probably 75 percent and have far greater efficiency and fairness. Since this professional appraiser would be paid by either the owner or the tenant, whichever one should receive the benefit, and not by the Government, the whole army of investigators and examiners, and most of the attorneys, could be separated from their sinecures, with all phases of housing except price being conducted under our own adequate State laws.

This appraisal would reflect all items of age, condition, size, conveniences, type of construction, location, etc., so that if a fair and adequate predetermined percentage rate were applied to this "normal value" appraisal, a mathematically fair and objective rental rate would be found which would completely eliminate the present blundering and prejudiced subjective functions of both investigators and examiners. Rent control would then be so simplified and streamlined that it could be administered with much greater efficiency and fairness and at a fraction of the present cost.

If your committee would amend the act to do at least these three things, namely, (1) limit rent control to price only with all other phases being under local laws, (2) provide for the application of a fair and adequate percentage rate to professional appraisals of "normal value" made at the expense of the beneficiary instead

of the Government, and (3) require all administrators to have had experience in owning or managing rental property, you would:

1. Eliminate 90 some percent of the existing friction;
2. Tremendously alleviate the present housing shortage right now by
 - (a) Providing greater utilization of existing housing facilities;
 - (b) Opening many premises now closed because of confiscatory rates which were based on what the owner could get in 1941 and not on a fair return which would allow for interest, depreciation, taxes, and replacements and repairs which have doubled in cost;
 - (c) Encouraging more conversions of large older buildings into apartments if the owners could be assured of a fair return;
 - (d) Encouraging new building of additional rental property if a fair return could be depended on; and
3. Help reduce inflation by
 - (a) Freeing many of the army of haughty leeches now working at cross purposes in rent control so they can get jobs in industry producing goods, where they will be helping to cure underproduction and thereby cure one of the causes of inflation instead of trying to fight its effects;
 - (b) Reducing the Federal budget for far more efficient rent control by from 50 to 75 percent, and by this reduction, curing another one of the causes of inflation rather than trying to fight its effects;
 - (c) Reducing the inflation of real estate by enormously reducing the supply of buyers and hence the demand for existing homes because owners who are caught with confiscatingly low rates are refusing to rent but are forcing people without homes to become buyers when they would far rather rent at a fair price, which they agree should be more than 1941 rates because they themselves are earning far more than in 1941. In fact, they would greatly prefer to pay much more, for the next year or two, than 1941 rates and be able to rent instead of being forced to buy or build at present high prices in order to have a home.

Hoping you can do something to either eliminate or else curb the present absolute dictatorship which makes these intolerable abuses and deplorable conditions possible in these United States, I am,

Respectfully yours,

Louis H. Martin
 LOUIS H. MARTIN,
*Secretary-Treasurer, Property Owners Protective League,
 177 North Hill Avenue, Pasadena 4, Calif.*

[From WMCA Press Department, 1657 Broadway, New York City 19]

(Editors, please note: Following is advance text of commentary by Henry Morgenthau, Jr., former Secretary of the Treasury, on WMCA, Wednesday, April 24th, 10:15 p. m. Mr. Morgenthau is heard every Wednesday at the same hour.)

INFLATION

Good evening.

Tonight I want to talk to you about the OPA, and what Congress is trying to do to it—and to you. I am particularly anxious to talk to you about this because the question of the OPA is directly tied up with that of inflation—and the battle against inflation is not a new one to me. I am a veteran of it. It was uppermost in my mind from 1933 to 1945, and it still is.

Why was the OPA established in the first place? Its narrower purpose was to maintain the living standards of the American people in the face of inevitable wartime pressures to raise prices. Its broader purpose was to provide a first-line defense against inflation and to keep the economy of this country from exploding.

Those were its purposes during the war—and now the war is over. But we are not out of the woods yet—not by any means. Nevertheless, the House of Representatives has passed an OPA bill whose net effect is not to extend the OPA, but actually to deprive it of any vitality that it has.

Now I do not mean to say that everything is rosy under OPA as it now stands. Quite the contrary. Prices on many items of prime necessity have risen to levels which I consider unhealthy, despite the OPA. There are shortages. There is the black market. White shirts have been hard to find. Building materials are not yet plentiful. Women's shoes that used to sell for \$6 and \$7 are now up to \$16 and \$17. Men's suits that used to be \$35 now sell for somewhere around

\$50. If you are living on an average salary, I don't have to tell you what this means.

Who's to blame for this? Congress, in the first place—because Congress has not provided the OPA with sufficient funds to do the kind of enforcement job that is necessary. The OPA itself is at fault—it could certainly function more efficiently than it has sometimes in the past. And you yourselves, my friends, are to blame—because you did not make yourselves heard in Washington with as loud a voice as that of the powerful lobbies that have been pressing from the very outset for the death of the OPA.

All this is true. But—is the cure to abolish the OPA altogether? You can get your answer from your own memory or from American history books. We had no OPA after the First World War. Do you remember price levels in 1920? Sugar was 26 cents a pound. Eggs cost 8½ cents apiece. Clothing had more than doubled in price. The cost of living had gone sky high.

If the OPA is killed or maimed, as the present House bill maims it, we are going to have the same thing in 1946—and probably worse. Food prices will jump 50 percent. Low-priced clothing will disappear from the market. Apartment rents will skyrocket. Conditions are anything but ideal now, but within 6 months you will look back and think this was paradise. With all its deficiencies, the OPA is essential to help us get by until this period of reconversion is over and all goods become fully plentiful again. The OPA is as vitally necessary today as it ever was—to keep Americans from going hungry and without roofs over their heads, and to act as a line of defense against inflation.

I am not exaggerating the danger; on the contrary, I am being conservative about it. But I have had enough experience with the finances of the Nation to warn you that once inflation takes hold, there is no telling where it will end. In Hungary today, the pengo, once worth 20 cents, is now rated at 80,000,000—yes, 80 million—to the dollar. The Chinese dollar is worth 2,000 for one American dollar. But in America, inflation need not go anywhere near that far to cause catastrophe. Simply imagine a dollar worth about a half what it is today. What would you be able to buy with your wages? What value would your bonds or insurance policies have in an America where inflation was eating at the very heart of our economy?

It is hard to conceive of any normal American actively desiring this state of affairs. Yet there must be such people. If they did not exist, 265 Congressmen would not have voted for the OPA bill in a form which converts it into an actual instrument of inflation.

It is possible, of course, that some of these Congressmen voted for the bill without fully understanding its fearful implications. But there are undoubtedly others, less candid with themselves and their constituents, who must have reasoned something like this: "I will vote for the OPA bill with all its vicious amendments, as it stands. This amounts to killing OPA anyway. But if the electorate ever calls me on it, I will always be able to point out that I really did vote for OPA, after all."

I do not believe that the public can be fooled by that kind of hypocrisy. Congress knows full well that the American people want the OPA. They did not dare kill the OPA outright because of what they would have to face back home in their own districts. So they have concocted this monstrous bill, hoping that the American public would be taken in by it. This bill is a colossal sneer at the intelligence of the public.

If the OPA bill in its present form is not stopped dead in the Senate, the United States will have taken its first long step not merely toward inflation, but also toward the inevitable retribution of inflation—economic collapse, depression, and possible chaos. Every single American will suffer as he has never suffered before—all, that is, except those selfish groups whose lobbies in Congress forced the present OPA bill through the House of Representatives. They and they alone will ride triumphant through the shambles of inflation into which they want to plunge this country. The Three Horsemen—the Speculator, the Profiteer, and the Hoarder—these alone stand to gain by an America where inflation runs wild.

For 12 years, these selfish interests were held in check by the administration in Washington. They were forced to relinquish their control of the Government and the economic life of the Nation. A new course was chartered for this country—one which called for a sustained and persistent effort to iron out the peaks and valley of inflationary booms and deflationary depressions—one which called for steady progress toward a balanced and healthy prosperity, with full employment as the goal.

In the past year, these obstinately selfish groups have been working like beavers to recapture the control they lost to the people in 1933. I believe that the current drive to kill the OPA is the central part of their plan. Their motive in killing the OPA is not merely inflation itself—although inflation will bring them enormous profits. For them, inflation will have other results as well. Not only will it rob the wage earner of his earnings; not only will it load the farmer with debts he can never pay. It will also divide the country; it will set producers against consumers, workers against employers, debtors against creditors. In a word, inflation will demoralize the country—and that is exactly what these groups are driving at.

To understand this, just remember what the terrible inflation that followed the last war did to Germany. The German people never forgot that experience, and Hitler made the most of it in his propaganda.

A period of inflation inevitably ends in one way—in a crash. The end product of inflation is depression—and the kind of depression the selfish interests in this country are cooking up will make anything we've had in the past look like a picnic. And when the inevitable happens, the hour will have struck for these interests to take over. Their demagogues will use the general misery to hoist themselves into power. New Huey Longs, Gerald K. Smiths, and Father Coughlins will ride the rest of popular discontent and demoralization. It almost happened once before, in the early 1930's. Franklin D. Roosevelt stood in the way. Who will stand in the way next time?

These are the perspectives before us if inflation is permitted to take hold in this country. The drive to kill the OPA is part of a gigantic pattern, carefully wrought by men who know what they are doing. Its purpose is to snatch the reins of control in this country from the people—to rule through ruin. If you follow the vote in Congress, you know that the men who oppose the economic bill of rights, the FEPC, and every other piece of progressive legislation, are by and large the very same men who are now out to finish off the OPA. Surely this is more than coincidence. There is design in it—and whether the Congressmen and Senators who are involved in it know this or not, their blindness or willfulness is setting the stage for the arrival of an American Hitler.

I say that it is essential to the future of our democracy that we stave off inflation by every means at our disposal. A vigorous OPA, armed with the financial and legal requisites to do the job, is our basic weapon in this fight. But we are not going to have this kind of OPA unless the plain citizens of this country—you and I—act immediately and with decision. The need for you to make yourself heard in Washington has been magnified a thousand times.

Good night.

NATIONAL RETAIL FURNITURE ASSOCIATION,
Washington 5, D. C., May 10, 1946.

To the COMMITTEE ON BANKING AND CURRENCY,
Senate of the United States,
Washington, D. C.

GENTLEMEN: On behalf of more than 7,000 furniture stores accounting for approximately 80 percent of the total annual furniture store dollar volume, the National Retail Furniture Association desires to go on record with you concerning its recommendations on renewal of the Stabilization Act.

Nullification of price control now is premature.—The substantial majority of furniture merchants believe that the time has not yet come when it would be in the interest of the economy to nullify price controls which in our considered judgment would be the practical effect resulting from adoption by the Congress of H. R. 6042 as adopted by the House of Representatives on April 18.

Moderate changes in Stabilization Act needed.—Neither do we believe that the best interest of consumers or the economy would be served by renewal of the Price Stabilization Act in its present form.

Renew act to March 31, 1947, with modifications.—This position was set forth in our testimony to the House Committee on Banking and Currency. In our presentation to the House committee, we spelled out the moderate modifications which we feel are needed to modernize the Stabilization Act, the administration of price control itself, and to attune control policies under authorization of the act to this reconversion period.

Proposals set forth in attached testimony.—A copy of these proposals is enclosed for your information. We recognize, of course, that our proposals are and necessarily must be in the form of principles rather than precise legislative phraseology.

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 1927

We urge your support of legislation which embodies these principles and your opposition to legislation which does not.

Major objectionable provisions in H. R. 6042.—Despite the fact that our affirmative beliefs are fully set forth in the accompanying copy of our presentation to the House committee, we feel that some comment on the bill actually passed by the House is necessary. Food products entail problems not necessarily common to all consumer goods; our comments apply primarily to consumer goods other than foods.

1. The attempt of the House bill to guarantee a "reasonable profit" on all products at all levels of production and distribution does not appear to us a proper governmental function, nor would such a guarantee be consonant with the principles of free enterprise. Businessmen believing truly in a free economy must oppose a guarantee of profits as strongly as they would oppose restriction of profits by governmental fiat. A specific proposal for common sense handling of the problem of cost absorption at this time is contained in our testimony before the House committee.

2. We believe it impossible to set by law a precise formula for decontrol, and we recognize the inherent danger of too precipitous decontrol, just as we recognize the danger of control enduring too long. Here again, we have recommended what we believe to be a practical technique for the solution of this problem.

Moderation needed at this crucial stage.—In conclusion, we believe in moderation. The changes in price control recommended in the attached memorandum, as summarized beginning on page 5 are submitted in that spirit.

Very truly yours,

NATIONAL RETAIL FURNITURE ASSOCIATION,
By Leo J. Heer,
LEO J. HEER, *Vice President.*

Enclosure.

STATEMENT TO HOUSE BANKING AND CURRENCY COMMITTEE BY THE NATIONAL
RETAIL FURNITURE ASSOCIATION, PRESENTED AT HEARING MARCH 20, 1946

We deeply appreciate the opportunity afforded by the committee to the National Retail Furniture Association to present the views of the retail home furnishings industry on the Stabilization Act.

Our testimony is presented here today on behalf of more than 7,000 furniture stores, large and small, from all sections of the Nation, urban, and country, who account for approximately 80 percent of the total furniture store sales volume. The recommendations we are about to make represent the consensus of the vast majority in our industry, and our industry is one that has had a great deal of experience with price control from its very inception. Because some of our merchandise forms an important element in the cost of living, we have been subject to price control from the very start. Perhaps to a greater degree than most industries, we have been subjected to the cost-absorption policy in the major phases of our business. As a matter of fact, Stabilization Director Bowles recognizes this for in his answers on wage-price questions issued March 11, 1946, he said, and I quote: "* * * OPA has already required absorption * * * in many fields to the full extent permitted by its standards—for example, * * * household furniture * * * and * * * a number of household appliances * * *" (End of quote.)

Throughout these years of control, the retail furniture industry has at all times exerted every effort to cooperate with OPA in the development of regulations. We are thoroughly aware, too, of the great complexities of the problems which have beset OPA, and of the substantially sincere and valiant efforts which the agency has made to solve them. We on our side have endeavored to render a helpful, constructive service in the belief that, in comparison with uncurbed inflation, some form of price control was by far the lesser of two evils. Our appearance today, therefore, comes after considerable experience with the problem and it is in the interest of adapting present-day regulations to the realities of today. We wish to speak concretely, not in vague academic terms, not in fear of what may or may not happen, but in the clear language of an industry that has had the experience, that has devoted careful study to the problem, and that has demonstrated a desire to cooperate in every way possible toward solving a common problem facing our Nation right now.

1. *Renewal of the Stabilization Act.*—The National Retail Furniture Association favors extension of the Price Stabilization Act for 1 year from now, or until

March 31, 1947, on the condition that certain moderate changes are written into the act by amendment.

If the act were allowed to expire this coming June, the general price structure might undergo violent and drastic disruptions which ultimately could cause serious financial damage to the entire domestic economy.

On the other hand, to continue the act without modification would perpetuate a body of regulations that in many cases bears little relation to circumstances today. Despite existing amendments to OPA regulations, many basic policies now in effect were conceived 3 and 4 years ago when the economy was under stress of war and when conditions were entirely different. We believe that the Congress must now remove from the act the obsolescence that exists in it today and must provide industry with a workable, practical system of control geared to present circumstances.

It is for this reason, therefore, that we advocate extension of the act on the condition that certain changes are simultaneously provided.

2. *Encourage production.*—At this relatively late stage of your committee's inquiry, there is no need of dwelling long on a subject with which we feel sure you are most familiar, and that is the retarding effect on production of overly tight price controls. If lack of production is in part the effect of certain phases of price control, we would prefer to dwell on causes. Our testimony on behalf of the Nation's furniture stores, however, would be incomplete and inaccurate if we failed to bring to the committee's attention a very serious and increasingly alarming situation that exists in the field of our basic raw material: Lumber.

The facts are that lumber sources are telling furniture manufacturers that, under present price ceilings, they can no longer supply raw lumber for furniture end-use purposes. In other words, despite the absorption required, which Mr. Bowles has said represents the limit which retailers can undertake, the end retail price of furniture is not sufficient to support the necessary costs at all prior levels and it does not provide an incentive to the production of the basic raw material in our industry. Parallel conditions exist in the fields of textiles, housewares, radios, and major electrical appliances.

It is hardly within our province to suggest techniques of control at the level of the raw-material producer or even the manufacturer, but we submit that it is not in the interest of consumers, nor is it anti-inflationary, to hold prices to an academic line that prevents production from reaching the volume that would promptly fulfill the demand and reduce prices. It is even more aggravating to our trade when we realize that the present form of rigid price control is driving our basic raw material from furniture end-use to other channels which happen to offer greater incentives. We urgently request prompt, careful consideration of this alarming situation in order that this dangerous case of maldistribution may be corrected without delay.

3. *Industry earnings standard.*—We see no merit for the economy or for consumers in adhering rigidly, for cost-absorption purposes, to the deflationary standards of earnings on net worth equivalent to the average of the years 1936-39. These particular years are not sacred in our economic history. They were not typical of any particular situation. And they bear even less relationship to current conditions than they did when they were first established as a base period. In many cases some of those years were loss years, and to use unadjusted loss-year figures of an industry works an undue hardship on the efficient operator today. We believe, therefore, that the Congress should provide mandatory flexibility in applying standards of a base period by the use of the best 3 out of the 6 years, 1936-41, in determining trade-wide profitability.

Heretofore, the 1936-39 standard has been so rigidly used that any potential increase in earnings over that base period average has been looked at askance and with some misgivings by OPA. We submit that conditions today justify and require a change in standards. The volume of business is greater, operating costs are higher, and the entire tempo of commerce is greatly accelerated. Industry must be in a position to change with these rapid developments. A rigid adherence to standards of the last decade will not permit business to adapt itself to these changes and will not provide the larger retail distribution machinery that will be required to market the Nation's increased industrial output. No administrative bureau charged with the responsibility that is now OPA's, can move quickly enough to stave off severe losses that may accrue due to increased wage rates, cost of materials, and other factors. For all these reasons, special study and consideration must be given in computing earnings, capital base, and percentages in establishing the industry earnings standard. We, therefore, urge once again that the act provide maximum possible flexibility. At the

moment, the use of the best 3 out of the 6 years, 1936-41, appears desirable in most respects, but we believe that a subsequent change even in these years should be permitted if circumstances later this year warrant a further change.

4. *Cost absorption.*—Judging our own industry by any standards, apparently Mr. Bowles and we are in agreement, as mentioned before, that we are not in a position to absorb any further cost increases. But, in practice, the process is never ending. On the theory that they play only a small part in our volume, we have recently been required to absorb the entire increases granted manufacturers of linoleum, metal furniture, and numerous other items. So there is urgent necessity for a realistic, clear-cut statement of policy which will once and for all remove cost absorption from the endless realm of argument and debate we have experienced to date. Therefore, we believe that no seller should be compelled to sell any individual product at a price which does not reflect at least his base period dollar margin.

We hold this opinion because we contend that the current obstructions to production and distribution are caused by distortions that have unnecessarily been created in the delicate balance between current costs and selling prices. While we hold no brief that a seller should be permitted always to realize a profit on increased costs, we do maintain that a seller should be permitted to pass through the dollar-and-cents amount of cost increases entering pro rata into the product or services he supplies when such increases reduce his actual dollar-and-cents profit below the base period.

This technique represents substantial absorption to the seller who must accept lower gross margins, higher direct costs of sales commissions, warehousing, occupancy charges related to volume, insurance, and many other items of expense. But it is simple and understandable and so will engender dealer cooperation, now as always, so important to the success of price control.

5. *Low-priced merchandise.*—OPA has developed a number of programs aimed at stimulating the production and distribution of lower price line goods, but once again OPA adheres to a base period that now has little relationship to present circumstances. The latest OPA order in furniture grants to manufacturers certain additional price incentives for producing essential low-end items and a graduated scale of increases favoring the lower brackets of prices in effect in March 1942. The plain facts are that March 1942 represented no ideal situation at that time, that the vast changes in the past 4 years have long since destroyed any present-day relationship with March 1942, and that the actual adjustments provided by the present order are unrealistic. As a result, furniture stores are still not in a position to offer really low-priced furniture because manufacturers cannot afford to produce goods in these brackets.

We urge that the subject of low-priced merchandise be completely restudied, that the low-end cut-off points be liberalized, that present cost-absorption "decentives" be removed from low-priced merchandise, and that some year having a more direct relationship to March 1946 be used as a base period.

6. *Decontrol.*—The Stabilization Director has assured you that decontrol as speedily as possible is his objective. We realize, however, that the transition from tight wartime controls to a free economy cannot be achieved overnight and that some interim machinery must be provided. We conclude, therefore, that in this transition period Congress should provide for a system of progressively more selective control for a limited time, with over-all decontrol as the ultimate objective. The mere existence of such a policy, spelled out in the act, is, in our opinion, a primary requirement for the resumption of normal production and distribution.

Essentially, the real guide to decontrol must be business judgment, carefully exercised between business and Government. We propose, therefore, that the Congress state decontrol as a policy objective to the Administrator, that the Administrator continue to be granted discretionary authority, within limits, necessary for the proper discharge of his responsibilities, and that the Administrator be required to consult with, and to give due consideration to the recommendations of, industry advisory committees. The Administrator should not possess authority to overrule his properly selected advisers without first making available to those concerned and to Congress, if need be, all the pertinent facts on which he based his decision. In order to provide the required mechanics for this all-important phase of the transition period, we urge (1) the appointment of a congressional committee to conduct continuing investigation of price decontrol progress; and (2) a mandatory bimonthly report from the Administrator to such committee on the progress of decontrol, including a listing of all cases in which a majority of any industry advisory committee present at an official meeting

had been overruled on affirmative decontrol recommendations, together with supporting reasons for failure to follow affirmative counsel.

In our opinion, such a device would create a practical means for careful study, forthright action, and a prompt return to a free economic system.

7. *Individual hardship relief.*—Present OPA regulations do not permit any relief to an individual retailer who is placed in an impossible operating position. This is not true of manufacturers, and the distinction is most unjust. OPA contends that the administrative difficulties involved in granting relief to retailers, comparable to that received by manufacturers, preclude the proposition. We submit that no administrative situation, and that no regulations based on average performance should be permitted if they force a citizen to operate at a loss without recourse to some form of relief escape machinery.

The only action taken resembling relief in our trade is an order which establishes the cost of doing business as a floor for margins in certain goods. It is interesting to note that OPA told Congress in March 1945 that this so-called expense floor regulation would be issued, that it was not issued until February 1946, that it has been necessary to revise the order to conform it to practical trade conditions, that the revised order is not yet released, and that it is now promised in a few days. Further, a preliminary estimate of the order indicates that its involved calculations may make its use impossible by the average small dealer.

Confronted as we are with situations hardly fair or equitable to retailers, with prolonged delays in relief orders for the general trade, and with all the uncertainties inherent in the new wage-price policy, we believe it only right that the retail trades be provided access to individual relief processes.

8. *Inequities to individuals.*—An inevitable outcome of a highly complex system of price control is the unintentional discrimination or inequity worked upon individuals.

Here are some examples.

In the past, OPA has determined upon preticketing certain items in our trade which never before were sold at a uniform established retail price. This action has resulted in undue hardship in a large number of cases. For the future, we strongly recommend eliminating the preticketing of any products not normally priced for sale at retail by the manufacturer.

In another instance, the technicalities of a particular regulation discriminate against stores that are far distant from their sources of supply because of the manner in which the item of freight has been handled.

In the field of enforcement and compliance, perfectly plausible, unintentional errors in pricing by a retailer have been followed by prolonged investigations, unfair publicity, and entirely unreasonable prosecution of minor violations. While we support wholeheartedly legal action instituted in cases of serious or willful violation, and while we do not suggest any reduction of valid enforcement or compliance activity, we do submit that there is now no adequate or reasonable protection against unduly harsh or injurious handling of unintentional violations of a minor nature. Among the 7,000 retailers we represent, there is a large number of small store owners to whom the proper interpretation and application of this vast body of economic regulations represents a very serious problem. We propose that the act should direct that noncompliance with regulations of a nonwillful nature be first dealt with by private interview, with a reasonable time allowed for correction. On price cases, some margin for error should be allowed, enabling those subject to control to correct mistakes or to make refunds without legal involvements before OPA institutes formal enforcement action or publicizes proceedings.

9. *Conclusion.*—To summarize our specific recommendations,

(1) On the condition that certain reasonable modifications are provided by amendment, we favor extension of the Price Stabilization Act for a limited period, preferably not to exceed the first quarter of 1947.

(2) We urge prompt correction of unbalanced price controls which are curtailing production of lumber and other basic raw materials of our trade, or are diverting them from furniture end-use to other channels.

(3) We urge modification of the industry earnings standard to provide for greater flexibility, to adapt it to current conditions, and to establish certain limits.

(4) We urge that OPA's cost absorption policy be corrected to remove current obstructions to normal production and distribution.

(5) We urge a complete restudy of the low-priced merchandise problem.

(6) We urge the establishment of a clearly defined policy of decontrol and other safeguards.

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 1931

- (7) We urge provision for individual hardship relief to the retail trade.
(8) We urge elimination of individual inequities and discriminations and the allowance for a margin of error.
Respectfully submitted.

NATIONAL RETAIL FURNITURE ASSOCIATION,
By W. E. S. GRISWOLD, Jr.
M. I. BEHRENS, Jr.
L. S. BING, Jr.

TEXTILE FABRICS ASSOCIATION,
New York 13, N. Y., May 1, 1946.

Hon. E. P. CARVILLE,
*Senate Committee on Banking and Currency,
Senate Office Building,
Washington, D. C.*

DEAR SENATOR CARVILLE: Enclosed you will find copy of a resolution adopted by the board of directors of the Textile Fabrics Association on April 30 which recommends the extension of effective price control without nullifying amendments for 9 months from June 30, 1946.

The conclusions set forth in the resolution were arrived at after careful and mature analysis of the issues involved in this matter and we trust that you will give our viewpoint proper consideration in connection with the legislation now pending to extend the Price Control Act.

We have sent a copy of the resolution to Senator Wagner with the request that it be inserted in the record of the proceedings now occupying the attention of your committee.

Sincerely,

W. P. FICKETT, *President.*

EFFECTIVE PRICE CONTROL MUST BE CONTINUED

The House of Representatives recently passed a bill extending OPA until March 31, 1947, but with a number of amendments to the present Emergency Price Control Act which many believe are so drastic that effective price control after June 30, 1946, will be impossible. The problems implicit in the extension of OPA have developed conflicting opinions among leaders in all industries and many are warning that the removal of price control or its continuance with the nullifying amendments contained in the bill passed by the House of Representatives will seriously affect our entire industrial economy.

The Textile Fabrics Association, which represents upwards of 150 firms in the cotton-converting industry and whose members do an aggregate annual volume of business in excess of 500 million dollars, has, through its board of directors, given serious consideration to this important and complex problem. It believes that all industries should be freed from the shackles of unnecessary "control" and "regulation" at the earliest possible date. It feels that the administration of OPA has permitted unnecessary and unjustifiable delays and has been unduly restrictive in many respects. It is firmly of the opinion that OPA would have more nearly achieved its objective if it permitted a closer relationship to exist between industry and Government and if each operating unit of OPA not only maintained sufficient representatives of industry on its staff but heeded their advice and recommendations.

However, the prevailing opinion appears to be that despite these shortcomings, OPA in its broad aspects has done much to stabilize the economy of America. Run-away inflation must be avoided at all costs and industry must not risk the economic chaos which will inevitably result from prematurely removing effective price control.

Accordingly, the board of directors of the Textile Fabrics Association in meeting assembled unanimously

Resolved That the statutory authority of OPA be continued for 9 months from June 30, 1946; that the bill extending the life of OPA recently passed by the House of Representatives which contains so many restrictive amendments that effective price control would be impossible, be defeated; that OPA should affirmatively and realistically proceed as quickly as possible with the removal of controls from those commodities not essential to basic standards of living or critical in reconversion, or which show an approximate balance between demand and supply;

that OPA be directed to secure the services of competent and reliable industry representatives to augment their present staff so that the inequities existing in the textile industry as well as in numerous other industries be eliminated as quickly as possible.

TEXTILE FABRICS ASSOCIATION,
W. P. FICKETT, *President*.
EDWIN E. BERLINER,
Chairman of the Board.

Dated: New York, April 30, 1946.

STATEMENT OF HENRY J. SUTTON, DIRECTOR BETTER WORLD FOUNDATION
FELLOWSHIP, RUSKIN, FLA.

SCIENTIFIC PRICING THE KEY TO ECONOMIC JUSTICE

Though it was war necessity that produced the Office of Price Administration the problem of price control remains with us as a most important part of our present-day political and social economy.

Most people have to pass up the best things in the stores with the thought: "It looks fine, and I would like to have it, and no doubt someone will get it, but it is too expensive for my limited means," or some such mental comment. Whether what is offered for sale is "dear" or "cheap" to a possible purchaser depends upon how hard or how easy it was for the individual to obtain the wherewithal with which to buy the article. But apart from how much or how little money a prospective purchaser has to spend, all things should be properly priced, in wartime or in peacetime.

By correct pricing I mean that the price should reveal the amount of labor-cost entering into production and distribution. But that can only be done if the wages of all workers were alike, as they should be, because each person needs on the average about the same amount of food, clothing, and shelter, and the comforts and luxuries of life.

Price administration cannot possibly be scientific (i. e., just) with an unscientific method of paying for the service entering into the production and distribution of commodities. With the archaic and inadequate monetary system of today there is no way for a purchaser to know from the price asked how much labor entered into the production and distribution of the priced commodity, and therefore how much they are being overcharged, if at all, compared with the ease or difficulty of obtaining the wherewithal to make purchases.

I assume that it is generally considered axiomatic that the chief function of money is to exchange goods and services. But it is only if prices are correct that goods can be equitably exchanged. For justice to be realized between producers and consumers all prices should be determined by the amount of labor-time entering into the things offered for sale. While people generally define money as "a medium of exchange" that is an incomplete definition. Money should be a method or means of correctly pricing things in order that they may be equitably exchanged.

This brings up the necessity, sooner or later, of paying all who work exactly that to which they are entitled, which could be done by means of a pay receipt (or hour bill) for each hour worked, instead of money in terms of dollars, pounds, liras, marks, rubles, etc. With everyone paid an hour bill for an hour's service, and with commodities priced with the time required to make and distribute them, no one could underpay or overcharge anybody else, such as is done at present as a regular and seemingly inevitable procedure.

Until such time as the recognition of the necessity for it brings about a scientifically correct price-fixing and wage-paying system such as I here earnestly recommend for your consideration, the carrying over of the generally admitted inadequate price-fixing of war time into peacetime should be continued. The OPA should be maintained and enlarged in the scope of its operations so that its operations include any and all things offered for sale.

H. J. SUTTON.

MAY 8, 1946.

STATEMENT OF STERLING F. SMITH, GENERAL SALES MANAGER BAKER ICE MACHINE CO., INC., BEFORE THE SENATE BANKING AND CURRENCY COMMITTEE

My name is Sterling Smith. I represent the Baker Ice Machine Co., of Omaha, Nebr., as general sales manager. I am very grateful for the opportunity to appear before this committee to present this statement on the pending legislation to extend the Price Control Act. My plea is not only for my own company but for the entire refrigeration industry, for what affects us affects the whole industry.

Baker Ice Machine Co. is a small concern employing some 160 men and women. I believe our activities and experiences of recent years are to a great extent representative of the activities and experiences of all small American business, which supplies 60 percent of the producing power of our country.

During the war we worked long hours. We were short handed. We produced to our full capacity. We looked forward to peace and to the reconversion period. We thought, in common with all American industry, that the new techniques discovered during war production would lead us as a nation to a higher economic level than we had before achieved. I consciously refrain from the phrase "return to normal," for our expectations were high, and the word "return" smacks of retrogression as the term "normal" suggests mediocrity.

I do not need to tell you how sore has been our disappointment. But I believe I speak for the great majority of small businessmen when I say we have not yet given up those high expectations, despite the road blocks ahead.

Some phases of OPA activity present the greatest of these blocks. I believe the OPA has done us a great service in its anti-inflationary work, and I believe it is still needed in some fields of consumer goods, especially in rents.

I put it to you that other phases of the OPA are definitely and dangerously inflationary in their effect, in that they hinder production, which is the only real solution to our inflationary ills. I speak of the price ceilings on capital goods.

Let me analyze this situation briefly. The classes of goods to which I refer are not those entering into retail trade. They are not things the people must buy, whatever the cost. They are the machines, the machine tools, machine parts, industrial refrigerating machinery (as produced by my company), processing machinery, and much other equipment, all of which are essential for the stimulated manufacture of the articles sold in retail trade.

The question is whether the maintenance of price control over these capital goods—which are so imperatively required by the manufacturing plants in order to complete their reconversion—contributes to lower prices on articles sold to consumers, or whether, on the other hand, these controls are no more than burdensome regulations, consuming the time of both government and industry, that in the end result in lowered efficiency, reduced productivity, and higher prices for consumer goods—which is precisely the opposite condition from what the OPA is supposed to achieve.

Let me state the case of the Baker Ice Machine Co., which is typical of the industry. We manufacture commercial and industrial refrigerating machinery. As a part of the refrigeration industry, we feel that our job has particular significance in this day of food shortage and famine.

Our modern meat industry would be impossible without refrigeration. So would our dairy industry and our supplies of fresh milk. Refrigeration is quite obviously the basic factor in frozen foods, which are of increasing importance in the Nation's supply of fresh vegetables, meats, fish, and other products. To sum up, every man, woman, and child in the United States who is more than a few hours removed from a source of fresh food is dependent on the products of the refrigeration industry.

Whatever may be the view as to the necessity of stimulating the manufacture of capital goods needed by other industries, none can question it with respect to the refrigerating equipment needed by our food industry. Here is an obvious case where full-scale production of capital goods means greater efficiency and lower consumer costs.

With the world's attention focused on food, it is important to note the improvements made in the shipping, storing, and processing of foods during the war, that are vitally significant to our postwar food industry. Prior to this period, the difficulties of shipping and storing produce made food production and distribution, with the exception of staples not readily spoiled, canned goods, meats, and luxury items, largely a matter of local interest. The maintenance of the American

Army in all parts of the globe, receiving foodstuffs through the medium of refrigerated trucks, ships, railroad cars, and even planes, has demonstrated that there is no longer a serious barrier to international distribution of such produce.

Add to these a great many other uses of refrigeration in manufacturing processes and you have the picture of what a single capital goods industry is in a position to contribute in terms of new manufacturing and merchandising efficiency. From pharmaceuticals to dairy products, the need for refrigeration is expanding.

The production of refrigerating machinery cannot meet these demands. Our failure in this regard is not due to lack of facilities nor to lack of desire to produce. It is due partially to our inability to make definite commitments or future plans under the present price ceilings. The placing of a supply schedule is a gamble. I need not explain that the increased costs and uncertainty regarding labor, raw materials, and purchased components are such that our profits are negligible under the best circumstances.

In expansion of these thoughts we are forced to meet the problems of obtaining specific raw materials and subcontracted parts, many of which our regular suppliers are reluctant to manufacture or sell to us because, through the devious inter-workings of OPA policy, they are able to make more reasonable profits by selling similar parts to new customers or by manufacturing new parts which are out of line with our need or their normal production. This distortion of trade forces us into similar maneuvers as our suppliers and subcontractors have been forced in turn by their suppliers. In this way our entire industry, vertically, as well as laterally, is being twisted into an economic disorder which one day will lead to disaster.

If the price ceilings on refrigeration machinery are lifted now, I believe the manufacture of that equipment will surprise you by its production rates, and that the temporary distortion caused by plants retooling to make the most profitable product, rather than the product to which they are best suited, will be quickly erased. This is anything but an inflationary result.

Some fear that the price rises which would follow the removal of OPA restrictions on refrigerating machinery would cause another upward spiral, if not a run-away, inflation. I can only say that these persons do not know the nature of capital goods transactions.

The reasons for the expanding need for refrigeration are basic to a free economy. The uses of refrigeration represent a saving in time or money, or make for a better product. Like all capital goods, refrigerating machinery must pay for itself, and more, or it will not be used. This would act to prevent unreasonable price rises. The individual consumer may be forced by desperation or fear into purchasing at ridiculous price levels, but users of capital goods will not buy unless the transaction represents a sound investment in terms of increased production and lower unit cost.

Added to that is the fact that competition in our industry is high and would, in a very short period, be the determining factor in our pricing.

Then, our customer relations are different from those of the retail field. We deal with the same firms over long periods. I can think of ice-manufacturing plants and refrigerated warehousemen who have traded with us for the entire 40 years of our existence. Some of our distributor contracts go back 25 and 35 years. We know each other's problems, and we know each other's needs. We would hardly sacrifice our company's future for short-term profits when we can keep going on a reasonable basis with our established customers for another 40 years.

In conclusion, I believe there is much anti-inflationary good to be derived from the removal of the price ceilings on refrigerating machinery and no inflationary effects to make it dangerous. I ask you to allow me, and the others like me, to aid in a true economic reconversion of this Nation without having to lose our shirts in the process.

STATEMENT OF SEDDON L. ETHERTON, PRESIDENT OF THE DETROIT & MICHIGAN PROPERTY OWNERS ASSOCIATION, OPA RENT CONTROL AND ADVOCATED THE REPEAL OF RENT CONTROL AT ONCE

Rent control is—

1. Undemocratic; it creates special privilege in tenants and creates a new class of renter aristocrats.
2. Rent control is harsh, discriminatory, arbitrary, hectoring to the property owner, whose just rights are practically denied him.

3. Rent control nurtures shiftlessness and disregard for the rights of others. It is subversive of sound morals and of fairness and honesty.

4. It penalizes thrift, stability of character, and care for the future.

5. It encourages renting, rather than owning an unsound situation in any country. It imbues the idea of something for nothing. It encourages expectation of hand-outs and more hand-outs.

6. The property owner is deliberately selected for sacrifice by the priests of national economic manipulation, contrary to the Constitution, which grants to the owner equal rights, but which rights under rent control are in practice strictly denied him.

7. Rent control caused the rise in prices because the renter got cheap rent, had no need to look to the future, but spent the money that rightfully belonged to the owner recklessly.

Rent control is unjust, arbitrary, penal, discriminatory, untrustworthy, inquisitorial, and a denial of justice, and foment litigation for the following reasons:

1. The original freeze date produced many registrations which are today considered incomplete because at its inception few knew how the registration forms should be made out. After 3 or 4 years experience and a problem of say, services, arises, the registration form is always interpreted against the landlord, no matter what his explanation may be because hindsight is used to penalize him instead of taking the point of view of what knowledge was available on registration date.

2. The original registration form is considered inviolate and not susceptible of corrections, even with evidence and affidavits. This supposes the landlord omniscient at freeze date, and not a human being capable of errors. The tenant takes advantage of this and the OPA decisions give the tenant a premium for taking advantage of the landlord.

3. The statement that landlords have prospered and made more than the pre-freeze date by 4 percent is false, and is based on hand-picked statistics.

4. The OPA sends out fishing letters and fishing "investigators," trying to ascertain whether the property owner has preserved his copy of the registration. After 3 or 4 years, many an owner has lost his copy, and when the OPA discovers this, the OPA makes him reregister, invariably cuts the rent, and makes the reduction retroactive and the owner has a triple damage suit on his hands at once.

5. The OPA deliberately refuses to give the owner copies of his registration and often tells him it has lost the copies, makes him reregister and uses the copies of the first registration as a means of prosecuting him.

6. The Rent Act permits rent increase, for increased occupancy. The OPA has interpreted "greater occupancy" in such a way that where the original renters numbered 2 and now number 7, 8, 9, or 10, or 11, and the owner pays more for every utility as a consequence, rent increase is denied.

7. The OPA strains every effort to get the owner to register by hook or crook, by hijacking methods largely, and in every case the rent is reduced, made retroactive, even 4 years, although the owner may not be in any fault and he has a lawsuit on his hands.

8. The OPA is dishonest in its comparables. Wherever possible it does not furnish any comparables upon which it based a proposed rent cut and a rent reduction follows as if inevitable. In no case among 2,000 cases has the OPA in a single instance raised the neighborhood rent above what an unsophisticated or perhaps ignorant or perhaps elderly widow and owner may have set. In many cases the OPA has sent the owner none-existent comparables, and in practically every case of 2,000 examples the OPA comparable has been manifestly and obviously inferior in quality, kind, and location. As a general rule every OPA case of comparability is unreliable.

9. The OPA has an unsound basis for evaluating rentals of furnished property. It never sets a true value on the furniture and never realizes that a furnished unit starts on a higher rental basis than a similar unfurnished unit.

10. The Congress has legislated that hardship cases shall be considered, the OPA has emasculated "hardship" to the degree that there are no hardship cases, although the truth is, using language in its everyday significance that the hardship is doubled and trebled by OPA sporadic interpretation.

11. Rehabilitation has been allowed by Congress as a rent factor. OPA has emasculated rehabilitation to the degree where a rent increase is denied an owner who spent \$3,000 fixing a \$5,000 property, with a new basement, improved heat, new facings, new roof. The will of Congress has been whittled away.

12. Where the tenant was to do services in addition to his rent payment as of "freeze" date and does not perform those services, the OPA refuses redress to the owner. If the owner performs these services and maintains the property, the

tenant having to do them on the pre-rent freeze, the OPA denies remedy, neither does it permit eviction on the ground of violation of tenant-rental agreement.

13. Appeals from the local decision take from 3 months to a year, and where the finding upholds the owner, the finding is not made retroactive and the adverse local decision is not cancelled. The tenant complaint is speedily acted upon, producing a rent reduction. The owner is thus penalized between the time of the local decision and the date of the regional decision whereby the OPA in effect confers a premium to a tenant merely for the complaint.

14. No order should be made retroactive for more than 12 months in any case. There are many cases where the OPA office has approved of a rent and 3 years later reversed it, where the owner was in good faith and issued a retroactive reduction, forcing the owner to sell his property to pay this retroactive penalization.

15. A favorite OPA trick is as follows: A rents three rooms by the month, some 18 months or more later B rents another room at the same place by the week, and B may even give a false name and say his tenancy is merely temporary. B then complains to the OPA that A is his close relative and that he rented four rooms as a unit. The OPA makes the owner reregister and cuts the rent less than the rent of A plus B, and the owner must pay back money even prior to the time that B lived in the house.

16. It is unjust to keep an owner out of his property for 6 months. He should be able to obtain possession as under local pre-OPA law.

17. A tenant should not use more coal, heat, light, gas, or hot water than in 1941 without paying for the increase. A frozen rent does not mean unlimited usage of utilities. In cases where the tenant added electric iron, electric heaters, electric sweepers, electric cooking stoves, radios, percolators, and where the electrical bill and gas bill and water bill were treble, redress to the owner was denied.

18. An owner wishes to convert a single family into a multiple, to give more housing. The eviction of the tenant is refused, thereby rendering conversion impossible and causing a reduction in the potential space availability.

19. Where the tenant refuses to pay rent, the owner should be able to collect triple damages, just as in the case of an overcharge by the owner, who is liable for triple damages also. There should be no discrimination.

20. Where the OPA or the tenant sues on an overcharge the owner should be able to setoff back rent and damage with the tenant. The present practice is to prevent the owner from setting off back rent and damage, thereby encouraging multiplicity of suits and great expense to the owner.

21. The OPA upholds the tenant in refusing owner access to his building for repairs and renders it impossible to decrease utility expense.

These are a few illustrations of OPA inequities. The chief inequity of the OPA is that it compels the owner to sell his commodity in 1946 at the 1941 price. There is no justice in compelling one class of citizen, the best class, to give something for nothing to another class.

Conclusion: Rent control should be abolished at once.

RAMSEY SPORTWEAR CO., INC.,
New York 18, N. Y., May 2, 1946.

SENATE BANKING COMMITTEE,
Senate Office Building, Washington 25, D. C.

GENTLEMEN: I respectfully submit for your consideration my "percentage profit control" plan which if adopted in substance should accomplish the following three things:

1. Prevent a run-away rise in prices.
2. Exterminate the pernicious black market.
3. Stabilize business planning.

The plan is as follows:

1. Abandon all present regulations governing ceiling prices, styling, priorities, and price control excepting those on rents.
2. The Government should control the manufacturers' profits by means of a fair "percentage profit control" which will, in effect, control prices themselves. The only difference is that in a simple determined "percentage profit" plan the administration of same is not cumbersome while as at the present time, we have in effect a comprehensive formula which inevitably leads, as it does now, to confusion and misunderstanding.

All the OPA need do under the "percentage profit control" plan, is to require a manufacturer to file with them a schedule listing the various items he manufactures, the permissible cost, profit and discount.

The examination of books by the OPA would then be only for the purpose of verifying, when necessary, the truth as to costs.

3. Permit each manufacturer, mill, converter, etc., to sell goods at a certain fair "percentage profit" over their present costs (cost formula to be properly fixed by agreement with Government and industry).

4. On all low priced textiles, for example, manufactured after the regular working day, an incentive premium is to be allowed to the mill. This will substantially produce all the goods we need and at the same time bring out lower priced manufactured goods.

While goods would be slightly higher than that produced during the day, yet the natural distribution of this goods into legitimate channels, even at the small premium prices, would be a fraction of the over-all increase compared to present manipulated and black market prices.

This theory follows because the mills would be making their legitimate profit in the first place, their purchasing power would be greater, and there would be no need for vertical set-ups and well-known black market operations.

5. Congress should provide, as for example in the ready-to-wear manufacturing industry, a formula of costs and profit as follows: Costs should include material, labor (own or contractors plus a 10 percent overhead). Profits should be a flat 50 percent mark-up on the cost. The discount 8 percent. All other industries have their own established cost and profit formulas immediately available. The overhead percentage shall be based upon the volume of one's business.

6. No manufacturer, processor or producer shall be permitted to resell any unfinished goods at a profit. This provision which is now in our present law has done more to prevent inflation and gambling in goods than any other single provision.

7. The Gosset amendment which provides for the lifting of controls when the production in any industry is equal to the base period between July 1, 1940, and June 30, 1941, is not only dangerous but useless, as for example, in a majority of the textile and apparel items the production has already been surpassed.

It is argued that there is no need for OPA when the supply is greater than the demand. This is the greatest mistake we can make in believing that such is the case.

On the contrary, let each industry make its accustomed legitimate profit but no more with or without OPA but in order to control spiraling prices, OPA profit control is mandatory and necessary.

A controlled profit under OPA will not only prevent inflation but be of even much greater service * * * it will prevent depressions because sky-rocketing profiteering profits will be no more.

Even when the production is greater than the demand, we can, and we do, in thousands of cases, have high profiteering prices. However, when one's business can only make a certain legitimate profit as permissible under my plan, then it must follow that prices would be lower than otherwise the case.

Why should anyone, because of his purchasing power and many other savings in his business, make a larger profit per item than his fellow American for the same article?

Yes, let the farmer make more money because of his larger volume, but why should he sell the same goods at the same price if his costs are less than that of his competitor?

This, gentlemen, if permitted to continue, is the incipient seed towards the destruction of free enterprise and of our democratic form of government.

Is it not better to control profits above a just cost, instead of trying to get all you can out of things and the most that the traffic will bear?

We do have at the present time this control on profits under OPA, but the whole trouble has been the continuation of its impossible wartime cost formula regardless of rising costs which cannot be absorbed. Let the cost and profit formula be a practical one, and the black market will be broken within 30 days.

I am just a small business man as many others in this country. All we want is the right to go to sleep at night without the spectre of uncertainty of unnecessary government regulations hanging over us from day to day. Let us manufacture anything we want to, by discontinuing all categories and their formulas, and in its place establish a legitimate "profit control" plan.

When you restrict legitimate profits you cause inflation by curtailing legitimate production and its distribution.

There is nothing wrong with our profit system—but all the evils, on the contrary, come from our greedy profiteering system.

Respectfully submitted,

MURRAY KAY.

STATEMENT BY CLARENCE A. SEAMAN, OF EAST ORANGE, N. J., MAY 2, 1946

To the Committee on Banking and Currency the United States Senate:

Mr. Chairman, and members of the committee: For the purpose of the record, my name is Clarence Atkins Seaman. I reside at 106 South Munn Avenue, East Orange, N. J. I am president of A. C. Seaman, Inc., mortgage bankers and brokers (also licensed real estate broker, as required of a mortgage broker by New Jersey law), with office at 790 Broad Street, Newark, N. J.

QUALIFYING BACKGROUND

Since 1905 I have been active in the development, improvement and management of real property * * * since 1912 largely in its financing. These activities have extended widely interstate, dealing with people in most walks of life and possibly all lines of business activity, in originating both long-term and short-term mortgage credits, in both small and large amounts, for the account of investment sources of every nature and including all of our major life insurance companies. Following 1930, and into the bank holiday: activities outside of New Jersey and extending coast-to-coast were handled by the New York firm, Seaman & Keevil.

Mr. Keevil having joined me in partnership, following his retiring as the mortgage executive head of the United States Mortgage & Trust Co. of New York, when that oldest and largest of our interstate mortgage banking companies merged with the Chemical National. In 1932, and through 1934, I spent most of my time in and out of Washington, as will doubtless appear by reference to the Washington files of the Federal Reserve Board, the Committee on Economic Security, the Federal Home Loan Bank Board, the FHA, the Treasury Department, and the White House. I cannot add to this list the RFC, as Mr. Charles A. Miller, at the time of his retirement as chairman, wrote me that he was taking home, as his property, the copy of the file I had submitted to him * * * a file, with theses written in 1932-33, in support of my argument that the then paralysis of credit, collapse of the American banking system, wholesale failure of our private banks, general and wide deflation and washout of private assets and equities, had resulted and was resulting, largely, from the restrictive nature of the credit-service facilities and mechanics of our central bank of rediscount, and as the result of our belated recognition of the obligation in government to maintain the availability of medium-of-exchange in such volume as the people and country at any time might reasonably require and be able to soundly secure; that it was "high time that we remove the 'ban' in banking which restricted the neighborhood banker to the position of the short-term bookkeeper." The results of these former efforts—primarily in the Federal Home Loan Bank Board following a White House arranged conference with Chairman Fahey in January 1934; in the Federal Reserve Board and the Banking Act of 1935, following my conference with Governor Hamlin in September 1934 and his directing that I furnish him with a copy of my entire file, "every word of it," said Governor Hamlin, "for my personal study"; and finally, in the formation by the RFC of its subsidiary corporation, the RFC Mortgage Company * * * yes, those results, I repeat, tend to overcome in part my sense of diffidence of abilities to now address you in these even more complexing days. I take courage to do so, more as a conservationist than as an economist; as the father of four children (one, after 5 months behind German lines in 1944 but avoiding capture, now with A. A. C. headquarters in Washington), who, like the children of other parents, have their lives ahead of them, and the possible happiness of which certainly now requires that we treat with matters strictly on their merit.

The OPA, in the phase of its activities which relates to a purchaser of housing accommodations obtaining occupancy-possession of the same, now very properly sustains and promotes such rights in the purchaser. This of course is subject, (1) to the rights of any lessee and, (2) to the status of the purchaser's eligibility for such OPA aid by reason of its purchase payment requirements.

Thus, observe, if the owner of a house, or say 20 attached dwelling units, typical of Baltimore, Philadelphia, et cetera, desires to sell, or possibly his estate must sell in order to settle with Uncle Sam and probably with his own State, he or his estate may sell in the open market and without restriction (as should be the case), and OPA will foster the rights of the purchaser to possession as above stated. But, (and again observe), given a property owner, in the same position as the one above referred to, except that his 20 dwelling units are so arranged that some may be in back of and/or on top of other of the units (as in an apartment house), OPA says he cannot sell (with any OPA assistance to a purchaser to

obtain possession, as above referred to), any of the units to outsiders unless he can interest and sell not less than 80 percent of such units to present tenant-occupants of such housing units.

Such action and position, by OPA, is at once, and must be accepted as being, illegal, arbitrary and capricious. Certainly, the Congress never intended to admit of, or permit, such rank discrimination. Certainly, the Congress never intended to drive such a citizen and freeholder into the courts in order to obtain relief.

On last Friday, April 26, and in the effort to avoid burdening this committee and probably the Congress with this matter, I conferred, with respect to it with OPA Deputy Administrator, Ivan Carson, and with OPA Counsel, Eugene Schwingert. They told me—rather Mr. Schwingert said to me: “Mr. Seaman, you are correct in your position. But, I am afraid, there is nothing we can do for you.”

There might be some justification for this stand, had they offered relief, conditioned, say, upon the apartment-occupant being given the first right to purchase. (They offered no relief of any nature.) Here, had such relief been offered, I would have directed attention to, and might now suggest, (1) that, in such a sale, contemplating cooperative ownership and occupancy of an apartment property, the eligibility of tenants buying into it should be carefully and fully determined; that any tenant who, through family changes might find his accommodations either too large or too small, and was buying something he did not want, and merely for expediency, should receive no preferential consideration. (Indeed, such a family situation, too often found after an elapse of several years, may now be expected to defeat the landlord in his ability to sell to 80 percent of his tenants); (2) that, in any event, the wealthy widow, for example, “occupying” her large apartment for 6 weeks in spring and fall, between winters in Florida and summers at the seashore, certainly should be relegated to a hotel between seasons, if need be, to make way for a veteran or any other suitable family in need of a home.

But, says OPA, we had to shut down on the sale of apartments owing to the large number of applications for such activity.

Why, may I ask, should that decide the issue? We all know that there are many families who prefer an apartment home to a home of attached or detached type—many families, indeed, the number and nature of which renders the apartment home the more suitable type. Here is a GI, and there are many such, who cannot now care for a furnace, shovel snow in the winter, and cut grass the rest of the year. Possibly, he, now, like an aging parent, cannot climb stairs. Are we to say to such, that OPA says okay to his purchase of a private home with an elevator in it, and okay to possession but that he cannot have OPA cooperation if he buys an apartment * * * unless 80 percent, or some other percentage, of those already in the apartment, also purchase apartments.

Again I say that such action and position by OPA is at once illegal, arbitrary, and capricious. And, that certainly the Congress never intended to admit of, or permit, such rank discrimination—discrimination which would force such a would-be-purchaser into the courts for relief.

The American Congress has always stood for home-ownership. It has recognized the home-owner as being the most stable type of citizen, and the backbone of this country. Indeed, the American Congress has frequently gone a long way in fostering and even sponsoring home-ownership in this country. Certainly, there never has been a time in our history when economic conditions and potentialities so strongly indicated the wisdom of home-ownership, and the pegging of the costs of home-occupancy.

Certainly this committee, the United States Senate, the House of Representatives, and all other responsible officials of Government, will agree with the recent statement by the Honorable Bernard M. Baruch, March 25, 1946, before the House Committee on Banking and Currency, when in discussing the OPA he said: “Avoid favoritism to any particular group * * * There should be no favoring any one segment of society over another.”

Certainly, then, I have ground for full confidence that this committee, and the Congress if its aid be required, will now act in the positive correction and removal of the action and position of the OPA here discussed—an action and position we have seen is discriminatory and prejudicial to both the buyer and to the seller of an apartment home, and therefore is, I again repeat, illegal, arbitrary and capricious.

I want to thank you, very much.

CLARENCE A. SEAMAN.

Should the committee desire me to appear, I shall be glad to do so at its convenience.

HYGRADE FOOD PRODUCTS CO.,
NEW YORK CITY, May 3, 1946.

Members of the United States Senate Committee on Banking and Currency.

GENTLEMEN: My name is Samuel Slotkin. I am the chief executive officer of the Hygrade Food Products Corp., with offices at 30 Church Street, New York City. The company of which I am the head owns and operates plants in 14 States, and does business in every one of the 48 States of this country. In 1945 the Hygrade Co. did a gross volume of \$110,000,000. This year its sales will be substantially larger. Hygrade is the seventh largest member of the meat-packing industry.

My purpose in submitting this statement at the invitation of the committee is not to dwell upon the special problems confronting either the meat industry in general or the Hygrade Co. in particular during the reconversion period. No doubt these problems are familiar to the members of this committee. Highly competent authorities representing all points of view have given you the benefit of their experience concerning these problems during the hearings you have been conducting.

I would be less than frank if I were not to make it clear that I, in common with every other corporation executive in the country, find myself confronted with many unfamiliar and unpleasant problems. To do business with less government regulation, or without any regulation at all, would be simpler; it would be more profitable; it would be more pleasant. But it is impossible. We in America face a condition—indeed it is a crisis. In rising to meet it, we dare not be wishful. We can afford nothing less than to be practical.

Accordingly, I am submitting this statement not simply as a corporation executive expressing the necessarily narrow and inevitable grievances of an individual management towards government. These, I assure you, are many, troublesome and costly. Rather is it my intention to speak as one trying to be simultaneously a corporation executive and an average American citizen. It is in this capacity that I venture to urge upon the members of this committee my belief—my conviction—that it is the feeling of most of the ordinary citizens at large, that the legislation now pending before Congress must take into consideration not merely the special statistical grievances of the meat packing industry but also the responsibilities which all of us—including business—owe to our national economy during these critical days of transition from war to peace.

It is my conviction that to legislate purely and simply in terms of the statistical problems of any industry at a time of crisis in the world is less than practical. If we are to have the truly practical legislation we all want, the truly practical legislation your committee wants to recommend, each and every industry, each and every company, each and every group, must temper its conviction as to its own self-interest—as to its legitimate self-interest, to be sure—with the more humane and, if I may say so, more practical question: What is good for the country? What is good for the world? What does the general welfare require from each and all of us?

I, as a citizen, would willingly and unhesitatingly sacrifice all of my business interests if I believed such was the price necessary for the maintenance of peace in the world and the attainment of our universally accepted domestic objectives—plenty and security. I hope that I will be pardoned if I seem complacent in my conviction that the attainment of these objectives is not in any way inconsistent with the normal and profitable operation of American business in this difficult period of readjustment. I believe that recognition of the broad needs of reconversion, as embodied in the general agreement of public opinion that OPA must be continued, is not at all inconsistent with the continued operation of American business in a manner entirely compatible with the American system. It is in this spirit that I am glad to have the opportunity to assure the members of this committee that a very representative cross section of opinion in the food trades is anxious that the legislation now pending be written entirely in terms of what is good for the country and what is good for the world. The members of every industry will find their greatest security in those measures which will insure the greatest good for our national economy and for the new world order now aborning. If the legislation you pass in this session attains these lofty objectives, I assure you it will help the industry of which I am proud to be a member more than any designed to serve our immediate corporate convenience that I could urge upon you.

Having tried to express the spirit of the point of view which prompts me to submit this statement to you, may I now proceed more specifically to give you my opinion of the actual condition which confronts the meat packing industry and the food markets of our economy.

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 1941

Clearly, we'd all agree OPA has been less than perfect on both the policy and the administrative levels. But it must be given the power to operate effectively. Our continued need for OPA must be accepted as frankly as the need to amend the OPA Act. If all meat price controls were removed, or if the power to control meat prices were forfeited by amendment, the price of livestock would undoubtedly rise substantially. In my opinion, the price of hogs would immediately rise to a level in excess of \$20 per hundredweight, and the price of cattle would go even higher. Because of the endless demand for meat I see no possibility that these prices would soon fall from this excessive, inflationary level.

Food is needed now. It is needed here and, for reason too obvious to require restating by me, it is needed abroad, too. We dare not risk the possibility of further difficulties in obtaining supplies from producers. Maintenance of present price controls on livestock and meat is necessary. The strong consumer demand for meat, in the absence of other items on which to spend the prodigious stream of purchasing power, would cause meat prices to skyrocket for an indefinite time.

Consequently, I believe that the immediate and unavoidable consequence of the removal of meat price controls would be chaos. Because it is fashionable to use extreme words loosely nowadays, may I add that I am using the word chaos in its literal, dictionary sense when I predict that chaos will result from the removal of meat price controls.

I am no political advocate. I have no special political allegiances. I am just a businessman. But I will stake my reputation for straight and successful dealing as a businessman upon this prediction. I will bet upon it in my conduct of my own business.

In closing, may I again express my conviction that Americans of every group, of every occupation, of every point of view, will most shrewdly secure the interests which divide them from other Americans if they grant an overriding priority to the responsibilities and loyalties and, yes, the pressures which bind all Americans together. I thank you again for inviting me to submit this statement for your consideration.

SAMUEL SLOTKIN.

ALLBORO RETAIL FRUIT ASSOCIATION, INC.,
New York 7, N. Y., May 2, 1946.

Hon. ROBERT F. WAGNER, *United States Senator,*
Chairman, Committee on Banking and Currency, Washington, D. C.

DEAR SENATOR WAGNER: This is to acknowledge receipt of your letter of the 29th; contents noted.

It is very unfortunate that the committee's schedule has been so heavy that it does not allow enough time for our organization to appear and express the views of the small businessmen in the city of Greater New York. It is my opinion, that the small businessmen are the backbone of our nation and that they have suffered more than everybody else during this trying period, whereby black market operations have been greater than in any other industry. Their merchandise is perishable; their rent is high; and the wages, the highest that the industry has ever known. Labor is entitled to every penny they can earn. However, the small business people must be permitted to earn a livelihood.

I do not say that the OPA is harmful. I earnestly believe that it is the best thing for the small businessmen, provided a program is made more liberal, and a conscientious effort be made to drive the black marketeer away from the business at its source.

Prior to the OPA, the fruitmen were allowed a 40 percent mark-up. This would suffice at the present time if the OPA would permit it. The small businessmen are only asking the OPA to take into consideration that when the crop is bad, the prices must rise, and when holiday seasons arrive, prices likewise rise. This has happened since time immemorial.

We are all against inflation; however, some control must be exercised, but I do not want the small businessman to be the guinea pig for the black marketeers.

I hope that this message is conveyed to your committee, for which I am enclosing herewith 20 copies, pursuant to your request, and that this letter be entered as part of the Congressional Record with the same force and effect as if it were stated personally before your committee.

Respectfully submitted,

ALLBORO RETAIL FRUIT ASSOC., INC.,
By EDWARD A. HAUSMAN, *Executive Secretary.*

1942 EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942

STATEMENT OF EDWARD H. MIRICK, VICE PRESIDENT, PILLSBURY MILLS, INC.
MINNEAPOLIS, MINN.

My name is Edward H. Mirick. I reside in Minneapolis, Minn. I am vice president and director of Pillsbury Mills, Inc. The grain operations of our company are my direct responsibility. Pillsbury Mills, Inc., is the second largest flour milling concern in the milling industry, owning and operating 11 flour mills, 9 feed mills, and 2 soybean processing plants, all scattered from Buffalo, N. Y., to the Pacific coast. Our gross sales for the fiscal year ending May 31, 1945, amounted to \$140,014,922, as reported in our last annual statement.

It is not my purpose to attempt to enter into a discussion of economics for the simple reason that I am not an economist. It is, however, my desire to make a plea to your committee for free and open markets in commodities, such plea being based on my experience of some 40 years in the grain and milling business. Based on the assumption, which I believe to be a fair one, that each one of us believes in the competitive system, it necessarily follows that we believe in free and open markets. I know of no other way to arrive at the proper price of a commodity except by the method of free and open markets in which all parties interested are free to express their opinions backed by their money. It is my firm belief that a price arrived at in that manner will reflect the proper value. On the other hand, I am convinced that no special group of people in Government employ, or outside of Government, can possibly set a price which is just and fair to all concerned. To state the proposition in another way, arbitrary price fixing cannot possibly be handled properly nor justly:

At this point I desire to assure you that I have no criticism whatever of the various actions taken by our Government to control commodity prices and commodity distribution in time of war. Remembering very distinctly the problems which arose during World War I, and keeping in mind those same problems which were with us during the recent war, it is almost self-evident to me that Government controls were imperative. With the coming of peace, however, Government controls, and with them such subsidies as may have been granted in connection with such controls, should be eliminated as soon as reasonably possible.

A brief statement of the background of conditions leading up to the present situation in the milling industry should be in order at this time. The chaos which now exists in the milling industry is absolutely without precedent. At no time in the history of milling in the United States have conditions been as unbelievably bad as they are at present. To begin with, we are forced to work under ceiling prices. It is illegal to pay more than a specified price for wheat, and in view of the fact that the wheat grower is not satisfied with the price, we are unable to procure the supplies necessary to run our mills. Up to the last very few years, wheat has not been fed to animals to any great extent. It is very likely that during the present crop year which ends June 30, 1946, 300 to 325 million bushels of wheat will have been fed to animals. Because of the excess feeding, millers have been handicapped very materially in the purchase of wheat, and as a result, the industry as a whole has probably not to exceed 10 to 15 days' supply of wheat ahead, which is a very low figure indeed. It is true that a very large percentage of the wheat now on farms is in the hard spring wheat area consisting principally of North Dakota, South Dakota, and Montana, where the feeding of animals is not as great as in other areas. However, the farmers in general are reluctant to part with their wheat, as they seem convinced that higher prices will prevail in the near future, and in addition to that, they are not in need of money and would rather hold wheat in a bin than money in a bank.

The Chamber of Commerce of the United States recently took the position that ceiling prices with the exception of those on rents, should be abolished not later than October 31, 1946. Pillsbury Mills, Inc., concurs in that action taken by the Chamber of Commerce of the United States, and I should like to testify at this time with particular reference to commodity prices and in favor of the removal of ceilings and subsidies not later than October 31, 1946.

The removal of ceilings and subsidies, as outlined above, would naturally be followed by resumption of free and open trading in all commodity markets, including both commodity markets trading in futures and also commodity markets trading in the cash article.

By mid-summer of 1946 grain crops will be coming to market, and while I believe that the resumption of free and open trading would result in a temporary flurry of higher prices, I am equally convinced that when such trading has furnished an opportunity for full expression of opinion as to price levels of commodities, it will be found that prices will not be abnormally higher than they are at

present. Arbitrary fixing of prices by Government in time of peace is entirely contrary to our way of life, and should be abolished at the first opportunity.

Gross margins in the flour milling industry are small compared to the gross margins existing in most other processing industries. (a) Figures recently published by the National City Bank of New York, show that for the year 1944-45, 1,017 leading manufacturing concerns, covering a very wide field, reported a percentage of 3.9 percent of net income after taxes compared to sales. The Millers National Federation reports figures covering 60 flour milling concerns, a representative cross section of the industry, for the years 1939-43, a period when hedging facilities were available to the millers. These figures show a percentage of net income after taxes to sales of 2.33 percent.

There are various reasons for this showing by flour millers, one of the principal ones being that flour millers have been able to utilize the services offered by commodity exchanges where trading in futures contracts is carried on. I should add here that because of fixed prices and Government controls, trading in futures has been practically suspended for some time. As a result of the use of the facilities of the grain futures market, my company, as well as practically every other flour-milling company, has been able to keep itself "hedged on the market" as it is termed, and avoid speculation in wheat. As a general thing 50 percent of a wheat crop moves to market from the farms during the first 4 months of the crop year. During those 4 months the flour miller finds it necessary to accumulate those kinds of wheat necessary for the manufacture of the particular product which he mills, and often finds it necessary to own considerably more wheat than that necessary to fill his flour contracts. In other words, during the early months of the crop movement season the miller must carry the market risk on considerable quantities of wheat. Without the facilities of the futures markets, the risk just described would be so great as to preclude the accumulation of sufficient quantities of wheat to carry on his business properly. However, with the facilities of the futures markets, the miller can sell for future delivery all his long position wheat pending the time several months hence, when he can make sales of flour at which time the contracts for future delivery can be bought back on the open market. The above process is known as "hedging" and enables the miller to avoid speculating on the market.

My object in going into the above details is to lay a foundation for the statement that were the miller compelled to accumulate wheat without having available to him hedging facilities, which in effect grant him insurance against price declines, he would be obliged to exact a greater margin of profit, in order to cover his risks, or go out of business.

The futures contract as carried on in commodity exchanges supervised by the United States Department of Agriculture is a bona fide legal contract which must be carried out. Many of those who do not favor trading in futures contracts are under the impression that such contracts are not legal, nor are they binding. The facts are that our courts have given full approval to such transactions, and as a matter of fact they are just as binding as a contract entered into for the transfer of a piece of real estate at a future date.

There is another subject in connection with wheat prices and bread prices which I would like to call to the attention of the committee. A misapprehension seems to exist in the minds of many people with reference to the influence which the price of flour exerts on the price of a loaf of bread. First of all, it should be borne in mind that the cost of the flour used in the baking of a loaf of bread is only a comparatively small part of the cost of the loaf itself. In addition to the cost of the flour must be added the cost of many other ingredients, and also the cost of the labor necessary to produce and deliver the loaf of bread.

Considerable discussion has taken place recently with reference to the possibility of an advance in wheat prices, either in the form of an advance in the OPA ceiling price of wheat, or an advance in wheat prices should the market be thrown open and the market price of wheat be established on a higher level. I am making no effort to forecast what, if anything, will take place to increase the price of wheat, but in order to illustrate the point which I am trying to make, would like to point out to you how much an increase of 50 cents a bushel in the price of wheat would, in itself, influence the price of a 1-pound loaf of bread. The increase of 50 cents per bushel just mentioned is an arbitrary figure for illustration purposes only.

For all practical purposes, 100 pounds of flour will produce 150 1-pound loaves of bread. Again for all practical purposes, 2.3 bushels of wheat are required for the manufacture of 100 pounds of flour. On this basis, the material cost of 100

pounds of flour at 50 cents a bushel for the wheat would be \$1.15. Dividing \$1.15 by 150 (the number of loaves which can be produced from 100 pounds of flour) we find that the additional cost per loaf of bread amounts to slightly over $\frac{1}{4}$ cent per loaf. It can be seen readily that any foreseeable advance in the price of wheat would reflect less than 1 cent per pound loaf in the cost of bread.

A recent investigation conducted by our company at a number of representative points showed that at the retail price of 10 cents per pound loaf today, the flour cost per pound was approximately 0.022 cent, or slightly over 20 percent of the retail price of the bread.

To summarize my testimony:

Government price controls of agricultural commodities, while necessary in time of war, are very detrimental to our civilian economy in time of peace, and should be abolished at the opportune time in the near future. October 31, 1946, by which time most grains, except corn, will have moved to market in considerable volume, seems to me to be the proper date.

The chaos now existing in the milling industry is without precedent. May 1 will see a large percentage of the milling capacity of the country shut down and idle for lack of wheat.

Farmers are refusing to sell wheat, which is not surprising in view of the news coming out of Washington daily, indicating the possibility of higher prices soon.

Free and open markets have been proved to be the best-known method of establishing prices which result in the movement of commodities to market.

STATEMENT OF ROBERT C. WOODWORTH, MINNEAPOLIS, CHAIRMAN, NATIONAL GRAIN TRADE COUNCIL, ST. LOUIS

My name is R. C. Woodworth and my home is in Minneapolis. I am appearing here as chairman of the National Grain Trade Council, a trade association combining 24 grain exchanges and 5 Nation-wide grain and feed trade organizations. My statement is based upon action taken by our directors, without a dissenting vote.

We represent to you that price control, as it applies to grain and grain products, should be ended as of June 30, 1946.

Our Board reached this policy only recently. As late as 2 months ago we were not ready to ask for removal of price control, although we knew that it was breaking down disastrously in our trade, and although we felt that its continuance into the postwar period already had set up peacetime faults exceeding its wartime benefits. But we did not then believe it would be possible for Congress to end price control before June 30, 1946, and we hoped that by frank discussions in Washington of the growing chaos in our trade, we could induce a better administration that would carry us until July 1.

Now it is proposed that price control be extended beyond July 1 this year, further into the peacetime period of reconversion. We cannot face that proposal without protest. To explain why we are concerned about this proposed extension of price control over grains and grain products, let me review briefly for you some of our experience during the past months of peacetime administration of the controls.

The trouble started largely with corn. The OPA corn ceiling price was so badly out of line with the prices of competing feed grains, that corn became by far the cheapest grain commodity, as already it had been generally the preferred feed grain. There was a run, severe run, on corn, and its disappearance was too rapid even in view of the large crop of 1945. We asked the OPA time after time to correct this disparity in price: We have never quite understood why they refused to do it. We pointed out to them over many months how black markets in the corn areas were spreading.

We gave illustrations of a barter system that was demoralizing the whole trade, a system where only people and areas with scarce commodities to trade could hope to get the scarce commodity corn. A group of chairmen of OPA grain and feed advisory committees came to Washington in January and repeated the warnings of the trade price confusion, and recommended that OPA either make its enforcement effective enough to correct the trouble, or else that they promptly abandon ceiling price controls that could not be enforced. Their answer—and it was a discouraging answer—was in part that Congress had so reduced their appropriations as to make effective enforcement increasingly difficult. In another part, their answer was some sporadic enforcement, but enforcement that did not retard the black markets.

Here was a situation in which we were given little hope that enforcement could correct an admittedly bad condition: A situation where the OPA was unwilling to correct a basic error in the comparative ceiling price of corn. And a situation where the price condition steadily was worsening in the field. I mention corn as an instance: There also were unrealistic prices among some grain products and feed ingredients based upon their comparative values, and which were adding to the trade price confusion and to the continuance of black markets.

We also knew, and tried to show both the OPA and a committee of Congress here, that the feeding ratio which Government has assured producers had resulted in a heavier than expected animal population on farms and was choking off supplies of feed grains that were needed by commercial users, or needed by other feeders who had animals but who did not raise their own grain supplies. There was much talk about, and admission of, this situation, but no steps to correct it until the needs of the famine emergency program forced Government to admit the very thing that we for so long had been telling them, that the movement of wheat and corn off farms was a matter of price.

Along that line, you will wonder if the announcement of the 30-cent bonus to producers who will market wheat and corn within the coming few weeks is not a solution to our problem. The answer is obvious. The bonus payments are to get corn and wheat into distribution for early supplies abroad, under the famine emergency program. The bonuses were not set up as a correction of the price situation in grains, for the program is only temporary and probably will be ended within the present legal life of OPA. Extension of the price controls over grains and grain products beyond June 30 would promptly at that time bring back the whole train of price problems.

There has been no adequate appreciation of the fact that price and price relationships determine the course both of production and consumption. Economic factors constantly are changing and price relationships must change with them.

It is our belief that America is driving forward toward a free economy, and it is also our belief that we cannot have that free economy until prices are free. Under present price control conditions the producer, processor, and consumer cannot have any clear knowledge of comparative values of commodities. They look only into a fog of unrealistic OPA ceiling prices, more realistic but widely different black-market prices, bonus payments to some and subsidies to others, and a growing barter system that is channeling grain into narrower distribution, instead of the wider distribution which is needed for a free economy. They cannot now find honest values in terms of truthful prices in the market places.

Even if we could accept the theory of price controls and other regimentations during peacetime—which we cannot—we could not accept it under the present ceiling maladjustment and faulty administration of the OPA. This is peacetime, and if we were to accept the theory that Federal controls must be kept in force as long as any commodity is scarce, then we would be forced into acceptance of never-ending price regimentation. We cannot accept any such theory, for we want prices that again will tell the truth.

STATEMENT OF HARRY C. SCHAACK, PRESIDENT OF THE BOARD OF TRADE OF THE CITY OF CHICAGO

For the record my name is Harry C. Schaack. I am president of the Board of Trade of the City of Chicago. It is a privilege for me and an honor to the association which I represent to have been invited to appear before your honorable body. The testimony which I am about to give I hope shall be accepted as being prompted by a desire to contribute something worthwhile to this committee's study of the subject with which it is immediately concerned. I shall attempt to deal with principles rather than personalities.

Before I enter my main discourse, may I briefly outline some of the functions of our association. Our association never takes title to a commodity, it does not deal in raw materials or finished products. It buys nothing and it sells nothing. Ours is a market place where under a normal economy buyers and sellers meet and express in dollars and cents their true convictions of the value of a given commodity registered for trading on our exchange. Our exchange is not interested in price as such. However, it does disseminate to its members and to the public data of a price determining nature gathered from all four corners of the world. It provides the machinery for recording the prices resulting from transactions

made within its confines, and prescribes the rules under which such transactions must be accomplished. We are licensed as a contract market under the Commodity Exchange Act passed by the Congress of the United States.

In its 98 years of existence our exchange has gathered a wealth of experience and of statistical material that has served well the consuming public and those who use the marketing machinery. During its lifetime many of its members have appeared before congressional committees similar to this one for the purpose of giving to these investigating bodies the benefit of their experience and observations. Unfortunately, practical knowledge has frequently been disregarded as old-fashioned, and the experiences gained through practical application have been relegated to limbo for more modern ideas that were based entirely upon the theoretical. It is not my purpose to be recriminatory, but a review of the testimony given by my predecessors before some past congressional investigating committees, where the distribution of the products of the farms were the issue immediately involved, will sustain my contentions.

It has been the contention of my colleagues of the past, and here reiterated that there is one law, not made by man, that not even Congress can repeal—that is the law of supply and demand. Regardless of the attitudes of some theoretical planners there are natural forces that enter into the making of the prices of everything, and to my knowledge history does not record an instance wherein these forces have been successfully defeated. Through circumvention they have at times been temporarily ignored, but not for a prolonged period of time.

Truth, like the law of supply and demand, is a natural force, and we all believe that "truth crushed to earth shall rise again." Through natural evolution and farm experience there has been created a feeding ratio between certain farm products and animals, and by the same experience these products have attained a historical price relationship. These are fundamental and are almost as positive as the sun or the moon. Through planning and through the fixing of prices unrelated to these feeding ratios these natural relationships have become completely distorted. In a free economy this delicate balance is maintained through price. When prices are not permitted to be a full reflection of related values then or economy is upset. Man then resorts to circumvention, and black markets develop.

To stop such vicious practices it becomes necessary to deal with causes and not effects. To deal with causes one must be realistic and face the facts as they are. If the desire for correction is sincere then at times the remedy might be severe. To acknowledge these maladjustments and to attempt to correct them through the application of another uneconomic device is only a further circumvention of a natural force which will lead deeper into the mire of economic chaos.

Through the improper administration of a law designed to hold as nearly as possible during the war period to a fixed economy, we have been taken far afield.

Gains are not accomplished without risks, but when a prudent businessman risks his own capital and concludes that the venture is unprofitable, he immediately sets about putting his house in order so as to prevent a further drain on his resources. Not so with the administration of the OPA. When ceiling prices were set on raw materials without regard for profits and the prices of end products, in some instances subsidies and roll-backs were employed in a further attempt to circumvent economic processes. Such devices are merely an attempt to gloss over a glaring dislocation in our economy, and serve no real purpose. We are told such devices are necessary to prevent inflation or an artificial rise in price. I claim they are devices designed to mislead an unsuspecting public into believing the cost of its living is being controlled. Actually, the public is compelled to pay in taxes not only the amount of the subsidy but also the cost of administration. Where, may I ask, is the saving to the individual when either a rising cost of living or an equal amount in taxes comes out of the same pair of pants.

When price is permitted to tell the truth and reflects the natural law of supply and demand, it serves as a natural corrective. When prices get high production increases. When prices become reactionary, because of lack of demand, production is curtailed, and thus through the observance of the normal experience of history the delicate balance of our economy is again attained.

With ceiling prices we have a managed economy which means fixed prices. Fixed prices may be registered in the normal market places but they do not represent the actual prices at which goods are being exchanged for money. A case in point is corn. The OPA has established a paper ceiling price for the various grades of corn, but it is safe to say that at least 90 percent of the corn that moves away from the county in which it is grown is moving at the ceiling price plus

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 1947

gratuities in some form. The fixed price does not fully reflect the actual prices paid, and despite the pleadings of experienced people in the trade the facts apparently go unrecognized by those in authority.

Very recently there has been offered to growers who market corn within a given period a bonus of 30 cents per bushel. This is about its actual related worth, or near the price at which it sells in the black market. This death-bed remedy comes at a time when there remains less than 35 percent of our last year's crop and carry-over. It is not an established price for the new crop, and therefore carries with it no incentive to plant a full acreage to meet the needs which we are told will be heavy for the next 18 months. Why indeed is corn worth so much for a few days only? Why has not the OPA ceiling price been adjusted heretofore? And why indeed must we be so stubborn about a fixed paper price as to insist on its retention after these few days and once again face black-market conditions? A fixed price defies the law of supply and demand, and no country can enjoy in peacetime a free economy when prices are not permitted to register the true conditions.

To clear the present state of chaos which has grown up under a device created because of a war necessity will require among other things the elimination of the ceiling prices on the products of the farms now in the process of growth or still to be planted.

The experiences of the past few years are positive proof that man has not yet arrived at that stage of perfection where he can repeal the economic functions of a natural law.

Gentlemen, I urgently request that you give serious consideration to the arguments favoring the removal of price control over farm commodities regardless of whether or not the Price Control Act is to be extended for any period of time. May I express my appreciation to this committee for its very kind indulgence.

APRIL 24, 1946.

STATEMENT BY J. O. McCLINTOCK, CHAIRMAN OF THE GRAIN COMMITTEE AND VICE PRESIDENT, NATIONAL ASSOCIATION OF COMMODITY EXCHANGES AND ALLIED TRADES, INC.

My name is J. O. McClintock. For more than 30 years, my experience in the grain business has been in acquiring supplies from producing areas and distributing these supplies into channels of distribution and consumption. My own business is with the Continental Grain Co. of Chicago, Ill. I am also vice president of the Chicago Board of Trade, a vice president of the National Association of Commodity Exchanges and Allied Trades, Inc., and chairman of the association's grain committee. I appear before you in the latter capacity.

From my years of experience with grain, I am firmly convinced that a crisis such as exists today in the lack of grain supplies can be caused by only one of two conditions: (1) An adequate supply of grain is not being produced, or (2) the supplies that had been produced are being improperly distributed.

It is the second condition we face today, despite the efforts of farmers aided by a bountiful nature. There have been produced in this country, during the last 4 years, total grain crops exceeding the quantities produced during any other 4-year period in our country's history. Therefore, we cannot reach any other conclusion but that we are guilty of improper distribution in a most flagrant degree.

In addition to the record production of grain during the last 4 years, we had on hand exceedingly large surpluses of wheat and corn produced prior to the plentiful 1942-45 period.

Those experienced in the distribution of grain supplies under the sound rules of supply and demand are utterly amazed at the decimation of grain supplies that has taken place under the reckless rules of artificial distribution created by agencies of Government. It is this artificial distribution that is primarily responsible for the crisis we now face.

Before going into detailed reasons for my convictions as to the way in which artificial controls are causing improper distribution of grain, let me first emphasize the all-important step necessary to prevent the grain crisis from becoming even more serious. It is the elimination of price ceilings on all grains in any extension of the Price Stabilization Act.

Unless this is done, and grain now flowing in abnormal channels for livestock feeding is diverted to human consumption, it is difficult to foresee how the Government's humanitarian plans to provide grain for a starving world can be met.

And at the same time assure that our own people will have sufficient grain for food.

Restore the laws of supply and demand and it will not be necessary for the President to appeal to farmers to turn loose the grain they are now holding.

Probably the most serious single factor that has contributed to this present shortage of wheat has been the depletion of stocks of this cereal due to the unnatural drain on supplies for livestock feeding purposes. This drain on wheat for unnatural feeding has, in turn, been caused by an abnormal movement of corn.

Corn is not only restrained pricewise, in its historical relationship to other feed grains, but also in its relationship to ceilings on livestock. When you consider that a normal corn crop exceeds in bushels the combined normal crops of all other field grains, you will realize its basic importance in our over-all food supply. By tampering artificially with corn prices, you are trifling with the one grain crop that will create price and distribution confusion—not only in other grains, but in animal and poultry supplies as well.

Recalling that 80 percent, or more, of all corn produced is fed to animals within the areas of production, it is understandable that when corn, as a raw material is arbitrarily fixed at a low price, and products of corn (livestock) at a much higher relative price level, only one result can be expected. The Office of Price Administration, in defiance of price history, fixed a ceiling on corn at approximately 30 cents per bushel under ceilings of all related commodities. Thus the stage was set for today's food and feed crisis.

I would like to discuss the situation existing in corn in further detail, as I believe that a correction of this situation is a step in a solution of the entire grain problem. Let me repeat some of the facts given to the Special House Committee Investigating the Food Shortage.

In the first place, it has been a gross error to use the so-called parity values as a basis for determining ceilings on grain. The parity concept reflects a condition which existed during the 1909-14 period. The influences which might have determined the related values of grain 35 years ago have, in fact, small bearing on the factors which have determined these relationships ever since, as I will endeavor to show. I would like to specifically consider the relationship between corn and oats.

Examination shows that during the period selected for establishing parity values, July 1, 1909, to July 1, 1914, on the average, corn did sell substantially below the price of oats on a per ton basis. That was during the period when the horse was the primary factor used in growing the crops of the Nation and moving them to market and the demand for oats was at its height. The trend toward mechanization made itself felt immediately. During no successive 5-year period within the next 25 years did corn sell on an average as low as oats, on a per ton basis.

During the period of 1914-19, corn sold at an average of more than \$6 a ton over oats. During the period of 1919 to 1924, while the premium declined, the price of corn still averaged above the price of oats. During the period of 1924 to 1929, corn sold at an average \$2.75 per ton above the price of oats. This premium again declined during the period of 1929 to 1934 but, however, corn prices averaged higher than those for oats. During the period of 1934 to 1939, and this period reflects conditions ruling immediately prior to the war, corn sold at an average of \$3.50 per ton higher than oats.

Elementary background understanding of conditions that caused certain relationships in grain values 35 years ago, as compared to conditions which have governed relationships in recent years, should have been sufficient to warn those responsible for determining price ceiling levels that parity relationships had little in common with realistic market relationships on a historic basis.

Such knowledge, if possessed, was disregarded, for when it came time to fix ceilings on various grains, corn was finally fixed at a ceiling level of approximately \$8.50 per ton under that for oats. This, I repeat, was done in defiance of the market history of a quarter of a century. Here you witness the beginnings of conflicts that arise when the untried personal judgment of a few men is substituted for realities.

This action represented a distortion of the ceiling price values between corn and oats of approximately \$12 per ton. Twelve dollars per ton is approximately 33 cents per bushel on corn. This means that corn was underpriced, as against oats, 33 cents per bushel.

Being aware of this situation, it is little wonder that the farmer resisted, and still resists, selling corn through orthodox channels to the market.

But this is not all that was done by those responsible for determining price-ceiling levels, which has created the situation that obtains today with shortages and prospective shortages of grains. One bad situation, created by artificiality, led to the imposition of still other artificial measures, which made the first situation worse. Be it noted that the distortion of corn is still the crux of the matter.

As has been established, parity level values were adhered to quite religiously when ceiling prices on corn were determined. The parity concept, however, was completely ignored when ceilings on livestock were determined. It is still being ignored today.

Livestock, which furnishes our meat supply, is mainly the finished product of grain. By totally ignoring the parity concept for livestock, by fixing ceilings very substantially higher than parity, a second maladjustment was created which distorts the natural movement of grain from normal channels to the feed lot in excessive quantities. Corn which is worth \$1.19 per bushel in the market in Chicago, is bringing approximately \$1.14 per bushel "on the hoof."

There are thus set up three choices for the farmer: (1) To feed his corn to livestock; (2) to sell his corn at approximately 30 cents per bushel under its intrinsic value and historical price relationship; and (3) to become a patron of the black market. In addition to passage of actual bonus money, black-market operations in the form of subterfuges on weights, grade evasions and substitutions, and all manner of varied devices, have amounted to many millions of dollars. They are still going on.

We were advised in the beginning that the disparity between corn and livestock ceilings was created purposely, to increase the meat supply. The price of livestock in the open market was high at the time ceilings were applied. To have followed the parity concept in the establishment of livestock ceilings would have required a very substantial price reduction from market values then prevailing.

When ceilings were established, parity on hogs was \$12 per hundred pounds, at Chicago. But, the open-market price was from \$14.85 to \$15 per hundred. The ceiling established was at \$14.75 per hundred pounds at Chicago.

Passing by any of the many assertions which have been made as to why this ceiling was decided upon, it can be said that whatever the reason in the beginning, there is no justification for a continuance of this maladjustment.

The effect of all of the above was to start in motion one of the most aggravated vicious circles in recent commercial history, which has led directly over a period to the dire situation under review facing us in wheat today. Another Government agency enters the picture, the Commodity Credit Corporation.

Livestock populations soared. Understandably, sufficient corn was not available to support them. The Commodity Credit Corporation, which has legal authority to engage in the buying and selling of grain, stepped in at this juncture and indulged in artificial distribution and channeled immense supplies of wheat into animal consumption at bargain prices. This was all done by means of the Government agency absorbing any loss involved between the market price for wheat and the reduced price for which it was sold for animal feeding.

Wheat, which had a ceiling of approximately \$60 per ton, Chicago, was pumped into animal feed channels in staggering amounts, at, or near, corn-ceiling prices of approximately \$41.50 per ton. Here, gentlemen, is where your wheat went to that you are seeking today to export in accordance with our humanitarian commitments.

It seemed not enough that the feeder had a decided advantage in feeding ceiling-price corn to capture rewards by ceiling prices on livestock, but justification was apparently found to invite the animal population of this country into our dining rooms to partake of the human grain (wheat) at an induced consideration.

When you consider that out of a normal production of corn, wheat, and oats, which are the principal food and feed grains produced in this country, the animal and poultry population will without special inducement consume approximately 80 percent of such production, while human and other uses consume approximately 20 percent, you will realize that the maladjustment existing between corn and livestock ceilings, and the practice of supplying wheat at artificial value, offer sufficient inducement for livestock and poultry to consume a disproportionate share of the food and feed grains produced in this country.

It is necessary for us to determine whether or not we wish to have all of the grain produced in this country consumed by the animal and poultry population by a continuation of the practices referred to, or whether we reestablish equality by disposing of artificial forces.

I wish to emphasize with all of the force at my command that all of the problems discussed above would automatically and immediately be taken care of by the

free price system. You cannot tamper with this system without getting into trouble.

It is not the purpose of my testimony to malign the integrity of those administering governmental agencies. I believe that their undertaking—the circumvention of the law of supply and demand—and prices stemming therefrom were doomed by economic impossibilities. The presence of the black market, which is an expression of supply and demand, supports this contention. We have a choice of obtaining distribution of grains through black markets, with all their attendant evils, or through legitimate and more effective methods of the established grain trade. In either case the price determined by supply and demand will prevail.

The purpose of this testimony is to suggest to the Congress that it substitute legitimacy for lawlessness (which now prevails in connection with the price controls on grain) by denying the Administrator of the Price Stabilization Act authority to fix ceiling prices on grain, beginning with the respective maturity and movement of separate grains harvested in 1946 and thereafter.

The wheat order, known as the certificate plan, gave recognition to the merits of the free price system by borrowing from this system, the advantage obtainable to the producer, under free competitive price determination, and presenting it to him as a hope he might realize, in the event of a ceiling increase, or an increase in values from any cause. This proposal was ineffective from the standpoint of moving wheat off the farms, because the order left authority for determining a subsequent price increase in possession of bureaucracy. An order to grant benefits of a subsequent free market would have had quite different results.

We witness further recognition of price value to obtain supplies in the recent offer to grant a 30-cent-per-bushel bonus to farmers, who deliver wheat and corn by May 25. It is peculiar thinking, however, that justifies a conclusion that realities can be satisfied by submitting to fundamentals today, and denying them tomorrow. Even if this 30-cent bonus is temporarily helpful, the net result will be the accentuation of the black market following the bonus period.

There are many reasons advanced in opposition to freeing price controls on grain. One such argument is that rising prices will work a hardship on the consuming public. Testimony by others will likely disclose some enlightenment on that subject. There is one example which relates to this feature that stands out as a denial to the claim that any price rise—reasonably expected to result from lifting controls—would seriously threaten the welfare of any consumer.

To keep the cost of flour down, the Government is paying the miller a 31½-cent-per-bushel subsidy on wheat used to produce flour. Propaganda tells of the tremendous saving realized by the consuming public, by virtue of this subsidy. However, when placed under observation, it is determined this subsidy results in saving to a single individual of \$1.15 per year, or to a family of four, a saving of less than \$5 per year. That would be a very small contribution to aid in the disposition of a device which is being used to kid the American public. Subsidies are vicious because they are deceitful, and furthermore, we who rely on calculations of simple arithmetic, believe the subsidy dollar much more inflationary than the price dollar, arguments to the contrary notwithstanding.

If price controls on grains are not eliminated by Congress, it will amount to an approval of the outrageous practices that agencies of control have imposed upon our people and which have resulted in bringing us face to face with food shortages. It will be an endorsement of the hocus-pocus ideology, that we witness in practice under the guise of national security, while in reality many of such practices amount to the extension of favors to some at the expense of the many.

Failure to eliminate these controls endorses the practices that have developed and fostered black markets in America's most basic industry—agriculture. If any respectability, whatever, exists in today's black markets we can be assured it will not remain long. It is only a question of time until rural America—our farmers—will get a taste of real black-market practices, those used by professionals, relying on hijacking and shotgun methods of persuasion to secure supplies. Nothing but elimination of price ceilings and reestablishing free markets will prevent this.

On the other hand, elimination of price ceilings on grain will also correct maladjustments in the distribution of supplies, largely responsible for the predicament in which we find ourselves. Elimination of price controls will return distribution to trade channels, whose record justifies the confidence of producers and consumers alike. Elimination of price ceilings will give to the producers in this country their rightful opportunity to capture the rich rewards to which our economy entitles them. The American grain farmer, especially the farmer producing corn for market, has been outraged by the low prices imposed by control agencies on his commodity. I wish to emphasize again, that it was the disregard of fundamentals relating to corn, by control agencies that led to much of the difficulties we now face.

Surely no one will claim that black-market operations do not exist. I would like to stress that these black-market operations are the ruling forces that are prevailing in corn distribution today. They are ruling to such an extent, that the Government itself has just decided to compete with the black-market forces by offering a bonus of 30 cents per bushel, above the price the legitimate trade people are permitted to pay producers.

Congress can cure black-market operations in grain overnight, and at the same time, arrest the practices that are causing many official headaches in Washington today. This can be done by restoring the law of supply and demand—the right of free production and distribution—and thus serving notice of confidence in the underlying honesty and strength of our people and our economy, rather than new emphasis on artificial controls. Elimination of price ceilings is the immediate answer to the food crisis.

STATEMENT BY ED MORGANSTERN, PRESIDENT, ROBINSON MILLING CO., SALINA, KANS.

My name is Ed Morganstern. I am president of the Robinson Milling Co. with offices and headquarters in Salina, Kans. The Robinson Milling Co. operates a flour mill at Salina and 30 country elevators in northwestern Kansas. I am likewise interested in affiliated companies—the Kansas Elevator Co., operators of a terminal elevator at Topeka, Kans.; and 28 country elevators and the Morganstern-Pyle Grain Co., operators of 16 country elevators. I also own 3 elevators outright in this same general area which consists of 35 counties. These counties produced 384 million bushels of wheat in the years 1940 to 1944 inclusive or 45 percent of the total Kansas production of 836 million bushels in that 5-year period.

During my 16 years in these activities I have devoted my entire time to operating elevators owned by the Robinson Milling Co., supervising my own and collaborating with my affiliated companies in their operations. I spend much of my time in the communities served by our elevators so that I may always have first-hand knowledge of growing conditions, marketing problems, and opinions and reactions of farmers. I feel, therefore, that I can present accurate and complete information on present-day conditions in the Kansas wheat belt and how the failure of Government agencies to understand and cope with these conditions is creating such a disturbing situation in the Nation's effort to bring relief to the starving people of Europe and to provide adequate food for our own people. From my general knowledge of the trade, I feel that conditions in Kansas are typical of conditions in all other grain areas.

Wars and their aftermath have always brought higher wheat prices. Recent warnings issued daily by Government agencies regarding shortages, starvation in much of the world, relief needs and possible rationing of bread and flour in the United States all tend to encourage the farmers in their hope and belief that grain ceilings will be removed and free markets restored.

Free markets will restore a proper relationship between grains. Wheat growers will then deliver wheat for human consumption and secure animal feeds for their livestock. In the interest of the great responsibility we have assumed toward alleviating human misery, I cannot urge too strongly that action be taken immediately for removal of all restrictions on free markets. When this is done unnatural marketings will cease and farmers will be quick to select their own basis of sale—a right highly prized by them.

I should like to deal, at this time, with the psychological position of the farmer. Some of the recent actions of Government could scarcely be improved upon if they had been deliberately designed to induce the farmer to hold his grain.

The farmer is a businessman. I have dealt with farmers throughout my life. They know basically that, in times of inflation, goods—not money, are valuable. For the farmers to have survived, they must necessarily know how to separate the wheat from the chaff.

The farmers are told specifically by government that their grain is worth more than OPA price ceilings. They are invited to "lend" their grain to the Government and be given the privilege of getting a price on it any time between now and March 1, 1947. They are offered a bonus of 30 cents per bushel to send it to market between now and May 25.

A more recent example, in February 1946 the OPA announced that, as of that time, grain ceilings would not be raised. After that the Commodity Credit Corporation notified all farmers that unredeemed wheat on which loans had been

made would be called by March 1. Within a few days thereafter, the ceilings on wheat were raised 3 cents a bushel. The result of such tactics is confusion, black markets and a scarcity of grain where it is now most needed.

Wheat farmers can be divided into three groups.

1. Those who haul their crops to market at harvest time for immediate sale.
2. Those who store either on their own premises or in country grain elevators or both and sell when the market is satisfactory.
3. Those who store grain on their own premises, same to be sold when markets are attractive and a certain percentage to always be held in reserve until the oncoming or new crop is assured.

Group one has sold. Groups two and three still hold substantial quantities for disposition. They are reluctant to move these crops until we again have free markets. Since the Kansas wheat farmer has only one crop to market annually, he must dispose of it judiciously if he is to withstand the many vicissitudes involved in Kansas farming.

Kansas farmers have suffered much from crop failures, drought years, and dust storms. With these adversities fresh in mind they are more determined than ever to provide against lean years by making the most of bountiful crops. Notwithstanding their humanitarian qualities, free markets alone will induce farmers to deliver now all their reserve or surplus grain.

I have personal knowledge of where wheat that is being withheld from the market is located. I will cite only a few. One farmer is holding 40,000 bushels of wheat—three crops. Another community served by my own elevator would in a free market, readily supply 60,000 bushels. I am advised of numerous cases where producers are holding surplus quantities, ranging from 500 to 2,500 bushels. In the aggregate, these examples represent a large quantity of grain. Information from my colleagues in the industry indicate that the same situation prevails throughout Kansas where wheat is produced in volume.

Another bountiful crop is in prospect in Kansas. Under normal conditions, surplus wheat would now be moving to market to make room for the coming harvest. But country terminal receipts are negligible. If farmers are given free markets, they would know that daily quotations reflected the true value of their grains and orderly marketing would soon follow. The certificate plan recently inaugurated by the CCC, as judged from my experience, carries no wide approval. At our country elevators only one inquiry had been received concerning its possibilities before Secretary Anderson announced the plan of paying a 30-cents-a-bushel bonus. This plan will doubtless evoke considerable interest and some marketings but not, in my opinion, to the full extent of reserves. Only free markets will do that and no scheme conceived by Government agencies will prove an effective substitute.

Farmers under the group two classification, I mentioned—those who store either on their own premises or in country elevators or both and sell when the market is satisfactory—also carry livestock such as hogs, dairy herds, poultry, range cattle, cattle for feeding, horses, and sheep. OPA ceilings have so distorted grain relationships that corn, oats, barley, kafir, bran, shorts, manufactured feeds, cottonseed cake, soybean meal, and other proteins essential to our animal population cannot in many places be obtained legitimately. Group two farmers therefore substitute wheat. Waste results, as wheat cannot serve livestock too effectively, yet it must be used when nothing else is available.

In further depletion of wheat for human consumption we now see trucks, each capable of hauling 400 bushels, going direct to farmers, hauling such wheat as they are able to obtain to Arkansas for feed. A fleet of 15 Texas trucks has just started operations in another part of our wheat territory. Upgrading of wheat, liberal weights, relieving the farmer of the work and expense incidental to hauling his own grain to market, cash payments, and other considerations carry an appeal and set up competition which we cannot meet under regulations now restricting our operations. A 30-cents-per-bushel bonus will not deter these activities but will intensify them.

None of these artifices has proven its value—even as a temporary expedient. Removal of all restrictions over free distribution of grain—so that fair play is given to our established and proven trade practices—is, I repeat, in my opinion, the only effective means of bringing about a free flow to grain to help starving Europe and bring about an assured and adequate supply at home.

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 1953

STATEMENT BY JACK DAVIS, PRESIDENT, JAY-DAY DRESS Co.

Mr. Chairman and Congressional Members of the House Banking and Currency Committee:

I appreciate being invited here today and being given the opportunity of expressing my opinion on the extension of the Price Control Act. So that there be no misunderstanding about my personal views, and in order that my recommendations be looked at from the proper angle, I would like to state what I personally stand for: I want to see the day, and that day cannot come soon enough for me, when all business will operate without Government control or interference, without OPA, CPA, and any other alphabetic agency who at present guide our daily business lives, and for whom we continually prepare information, abundant data, and keep massive records, and for whom part of our thinking and a great deal of our time is taken up. I am overanxious to be restored to the free status that we are traditionally steeped in and the freedom of operation that we all knew before the war. I wish to emphasize that it cannot come soon enough for me. It is just as distasteful to me to have these various Government agencies saddle business with numerous orders, some good, some bad, as any freedom loving individual in our country, but I fear we cannot have this freedom of operation until we are restored to free markets, and until we are able to buy our raw materials in free markets, and until we are able to sell them in free markets. We cannot have one freedom without the other. At present they go hand in hand. Therefore, gentlemen, I urge the extension of price control, a flexible and intelligent price control which I consider absolutely essential for the economic welfare of the foreseeable future. As long as tight markets prevail, and as long as demand exceeds supply, and as long as the pattern of consumers' needs are unbalanced, we cannot and dare not place in the hands of individual business, and that includes myself, the tools that may distort our economy for a long time to come, reduce our high standard of living, and put us back on the road of social and economic progress. The extension of price control is absolutely essential until such time as there be not only a sufficient production of one item, but an equality of production of all needed and necessary items.

DIFFERENCE BETWEEN 1940 AND 1945

Let us examine some actual figures of the difference in our economy and the difference in merchandise distribution from 1940 to 1945. It is reliably estimated today that there are accumulated in savings, and other liquid assets, in the hands of the spending public, about \$180,000,000,000. Please bear this figure in mind gentlemen, it is very important. Of this figure, about \$115,000,000,000 was accumulated during the war years 1942 and 1945, largely in the form of Government bonds, bank deposits, and currency, and quoting from Business Week of February 16 there are some guesses about the distribution of these savings, and among them that somewhere between 35 and 50 percent is held by families with annual incomes of less than \$5,000. If these estimates are correct, it must also be correct that families in this income group will spend a large share of their wartime savings for consumers' goods that were not available during the war. These savings plus present earnings are an impact upon this market, leaving results that are quite obvious. During the war years over \$40,000,000,000 annually were saved through bonds and savings accounts and even in 1945, \$35,000,000,000 was added to this enormous reserve of buying power and family security while the saving trend still continues. On February 11 there was issued from Washington a statement on personal incomes: In 1940 personal incomes were a little over \$76,000,000,000 and in 1945 they were over \$160,000,000,000. All these figures will bear a relationship to the arguments I will develop hereafter in favor of price control. Again in 1940 durable goods took — percent of the money spent, and in 1945 — percent. Apparel and dry goods in 1940 took — percent and in 1945 — percent. Food, services, and miscellaneous items took the rest. In 1940 there was a balance between hard lines, soft lines, services, food and rent, which could not be maintained during the war, and which do not exist today. Again in 1940 all merchandise found its natural outlet and all the various commodities and services found their natural place in the scheme of distribution. There was a pattern formed.

During the war years, a great number of these items were not available and as personal incomes were rising, money was spent on items that were obtainable and the rest put in the savings I have mentioned. The absence of these durable items created a large reserve of buying power and left a pent-up demand for them. It is going to take many years to satisfy this demand and even then depreciation and the desire for new things will keep the ball rolling on those

items. For instance: It will take several years to supply the need for automobiles. Those individuals who got them in 1946 will be ready for a new car when the rounds are made and a cycle of replacement will take place until production is increased and catches up. Unfortunately, since VJ-day, through strikes and time for reconversion, the balance between soft lines and hard lines has not been restored, and it is my opinion it will not be restored during 1946. In the matter of housing, we all know it will take many years to supply the demand. The population since 1940 has increased, I believe, 10,000,000 and we therefore have this pent-up demand plus an increased population to take care of, and until the balance between all these consumer needs has been restored, we will have the public with enormous buying power putting pressure on the items that are available. It is going to take time to produce these goods. You must remember that since 1941 there were no improvements or expansion in these lines to speak of, and industries have not the facilities yet to meet this new economy. A lot of machinery became obsolete and was only used in wartime urgencies, and it is going to take a considerable length of time for the setting up of the proper facilities to meet this new impact of not only domestic needs but export needs as well.

EFFECTS OF REMOVAL OF PRICE CONTROL

If we are to remove price control prematurely, it is my sincere belief that prices would inevitably rise, slowly at first and then uncontrolled to high levels, bringing mounting and accumulative price increases from basic materials to the finished products until a repetition of 1920 would take place. Vivid in my memory are the years 1919 and 1920, and I can't help but think how much better off we are now. It may be proper for me to recite some personal experiences of that period. They were in my formative years and left an indelible impression in my memory. It was then that I entered my first employment as a young boy of 17 and my first position was as a clerk in a retail dry goods store, and I saw uncontrolled prices. I remember within a single week gingham yard goods rose from 2 yards for 49 cents to one yard for 49 cents. I remember my employer getting in the store early in the morning, before me, and when I arrived I found him changing the prices upward. I could go on with actual happenings and individual instances of uncontrolled rising prices that were ridiculous. I remember one day when my employer, returning from the wholesale market, said "We are selling our goods too cheap, we could sell the entire stock at wholesale," and up went the prices again and dollar volume was rising while unit volume was declining, slowly at first, and then very obviously fewer people were coming into the store and there was less need for my employer to go to the market to buy. Our stocks were heavy because we were not getting the turnover, and the prices had gone entirely out of the consumers' reach. The people just couldn't buy any more. The economy couldn't stand it and then came the deflation and unemployment, and during that time I was employed in a wholesale textile firm. Each morning my employers would buy in the New York Times with fear and trepidation. Their interest was not in the headlines or the obituaries or that glorious American habit of looking at the sport page first, but a column known as business troubles and daily this column grew longer and longer and a chaotic credit condition prevailed. We were afraid to sell goods or take a credit risk. I saw goods delivered on the sidewalks by mills where the consignees refused to accept them and they were left there without a signature like somebody wanting to get rid of a hot potato. We all know the disastrous consequences of that period. Fortunately we recovered quickly. If price control is eliminated now, it must result in runaway prices, and a repetition of the 1920's—we must profit by the past. We cannot make the same mistake again.

DISSIPATION OF SAVINGS

I have stated here that there are approximately \$180,000,000,000 in savings. These savings represent an insurance policy, a reserve to meet any contingency, a foundation upon which our economy can rest securely. Never in the history of the world did so many individuals feel so secure and able to face their emergencies that crop up in their daily lives. Why, with these savings alone, it would be possible to buy every single thing produced in the United States in 1946 at present prices, and still have money left over. Are we to dissipate these savings, are we to cash in this insurance policy, are we to throw the hard-earned security that these savings represent to the four winds? Elimination of price control will do just that. Rising prices will make these saved dollars worth so much less, will

result in so much less production and so much less employment, and the personal incomes which I mentioned earlier, will buy so much less, and the ability to continue to save further will be in total jeopardy. These savings and the ability to continue to save will permit the long term housing program to be successful and will permit the full and complete restoration of the balance between durable and soft lines. If we had uncontrolled prices now, earnings and savings would be dissipated on what is presently available, leaving an unknown condition for the future. If the owners of these savings ever became convinced that their dollars are spoiling on their hands as a result of price increases, they would rush out to buy whatever is available and turn the money into goods. These savings represent the ability of playing a decisive roll in sustaining employment and stretching our prosperity out over many years to come. If we remove price control now, I can only liken the situation to an individual going on a drunken spree and then waking up with a hangover. That is just what would happen to our economy. We have the opportunity of lengthening prosperity, of making the most of this new setup. Let's not lose this opportunity. I manufacture popular priced ladies garments in very large quantities, in fact more than 1,000,000 units a year. Without price control, I can get today \$2 or \$3 more per garment than the price at which I sell them. Think of the huge profit I can make, but I would rather take whatever profit I can get today with present purchasing power what it is than own a lot of unknown dollars in unknown purchasing power.

UNIT PRODUCTION VERSUS DOLLARS AND CENTS

Any large increase in the cost of living would not only disrupt the pattern of consumer purchasing, but would in the long run cause a restriction on unit volume of consumer buying. The important thing in our economy is not to see how much business we can do in dollars and cents, but how many units we can sell. The more transactions, the better the prosperity. Units mean more production, units mean turn-over, and more units mean more employment. We cannot be short-sighted on this subject. The trick in our economy is to have wages rise above the cost of living, a difficult task, but nevertheless an objective to which we should all bend our efforts, for therein lies the key to successful economy and the avoidance of disastrous depression. Price control is a contributing factor to this accomplishment.

DEFLATION

What we must avoid is deflation. We cannot afford deflation, any more than uncontrolled inflation, and deflation is the ultimate result of relaxation of price control now. The pendulum swings both ways. We have learned that in the past, and we must avoid it in the future. We live under a different tax structure. A public debt of 270,000,000,000, a national budget of \$35,000,000,000 and we therefore must maintain a large national income which can stand this taxation, and which will bring the proper amount of revenue, and which will not only balance the budget, but which will go towards reducing the public debt. This cannot be done if deflation ever set in, if unemployment and depression set in and drastically reduced the national income. We well remember the early 1930's. We learned a lesson that apples should be sold in fruit stores and not on street corners. We can keep our economy on an even keel, we can avoid the peaks and the valleys of the business chart—at least we can try. It is obvious that an attempt can be made. I feel we can succeed and I repeat that deflation is the inevitable result of uncontrolled inflation, and both can be controlled in part by holding the price structure now.

THE PATTERN OF SUCCESSFUL ECONOMY

In the scheme of things there must be a formula for a successful economy. The formula must be simple, but the execution I know is difficult. It must consist of wages so much, cost of living so much, national income so much, taxes so much. The relationship is all there. I am not an economist. I don't know where the line should be drawn to balance this new economy, but it must be drawn somewhere and I believe that there is no better time than now. When personal income exceeds the ability to buy, and the ability to pay tax. I am just an ordinary thinking individual talking out loud and I state emphatically that runaway prices will destroy that pattern. We must stabilize now, and to do that we need governmental assistance. It cannot find itself successfully under present circumstances if left alone without first having chaos.

EFFECTS OF LABOR

The elimination of price control would undoubtedly increase the cost of living and gentlemen, we all know that organized labor will not stand for it. We are on the eve of industrial peace and I hope a peace for a long time to come. Any large change in the cost of living, any runaway prices will bring a labor movement for increased wages and where will this all end? Another cycle of higher prices and higher wages. It must stop somewhere. Now is the time, and it can only be stopped by intelligent price control. There is a definite relationship between wages and cost of living and many union contracts have escalator clauses providing for the increase of wages to parallel any increase in the cost of living. No intelligent American can expect the workers of this country to take a higher cost of living without protest or inversely take a reduction in the standard of living. There would be a continuous demand for wage adjustments and uncertainty of labor costs would add to production difficulties. It is therefore my opinion that price control can be one of the great factors in maintaining industrial peace. I am sure that in this more enlightened day every industrialist, every corporation, every manufacturer, every small businessman is interested in maintaining a high standard of living, and in maintaining the purchasing power of the workers for our industrial good.

RENT CONTROL AND TIME FOR EXTENSION

It would be disastrous to remove rent control in 6 months, or a year. It will take many years to catch up on the pent-up demand and the new demand for housing. Rent control should be treated as a separate entity. We are dealing in an entirely new economy in 1946 and 1947, and above all we are dealing with a larger population. The facilities for production and building were not expanded during the war for a peacetime economy and it is going to take many years for the supply to approach the demand for housing, besides the requirements for repairs. In considering the time for extension, not only must we consider the fact that we need to supply this huge consumer demand, but great thought must be given to increasing inventories. Inventories are at their lowest and will stay low for a long time to come creating an impact on raw materials and wholesale markets.

FARM PARITY

I desire to call your attention to farm parity. If we have abundant crops and plenty of food products which is not controlled by production but by acts of God, and price control is removed, forcing prices up, we will again face an unbalanced economy with the things the farmers buy out of line with the prices they receive for their crops. We may put ourselves in the position of having the Commodity Credit Corporation support farm prices. It would not take much effort to push prices above the 90 percent support level of agriculture.

WORLD EFFECT AND SECURITIES

Have we considered what effects uncontrolled prices would have on world economy? We cannot close our eyes to that. We have big export markets waiting for us. Other countries are demanding our goods and while I have dealt so far with only our internal economy, we have passed the day when we can consider ourselves economically isolated from the rest of the world. I have read any number of news articles by foreign newspaper correspondents, stating how these foreign countries have faith in the American dollar. More faith in fact than their own currency. I read of the enormous inflation in China, in Hungary, and many other countries. Stability here should help stabilize world markets. We have an opportunity for export markets which we have never faced before. I do not have sufficient knowledge to discuss world markets, but I give this to you, gentlemen, for something to think about. I know our depression of the 1930's had an enormous effect throughout the world. We may also consider the effects on the security market. There is no question that uncontrolled prices would find a runaway security market and then if followed by a deflationary period, would give us a repetition of that famous crash of 1929. Can't we help avoid these violent fluctuations?

PERSONAL CONTACTS

My interests take me around this country considerably. My contacts go into various fields. I have spoken to hundreds of businessmen and hundreds of

working men. I have yet to meet the individual who is in favor of removing price control. The cab driver, the waiter, the elevator boy, the employer, all sing the praises of OPA. These people, without delving into economics, without studying causes and effects, want it continued.

They know it is good for them. The businessman wants it continued, especially the small businessman and they want it continued intelligently. They may be angry at the enforcement division, they may be peeved with M. A. P., they may be sore at something in the order that affects them personally, but they do not want to do without it. We hear a lot of talk about OPA stifling production. I fail to see it. Wherever I have been and whatever I have seen, everyone is producing to the limit of their capacity. Perhaps here and there price control has created some distortions, and surely there are isolated instances, but one must study the complete over-all job and it has been a good one. There have been leaks here and there, there have been mistakes, and there are mistakes now that should be corrected. Here is an agency which had no precedent, which started from scratch and in a large country like ours with its varying climates and sprawling industries and sectional problems, there were bound to be mistakes. We do not run our businesses without mistakes. Since the inception of these agencies I have spent considerable time with the personnel, I have been on the various task committees, have served on the WPB, and the CPA. I have continuously consulted with the men in OPA. Without exception I find them all, sincere in their desire to accomplish the purposes of price control. If anything I can accuse them of overzealousness. Most of the men I know have made great sacrifices, have worked hard and diligently and have been inspired by excellent leadership. There is no doubt that some changes are necessary. What those changes should be, is a subject in itself and on which I have my own idea. I am here to state that we need price control, we cannot, we should not, and we dare not do without it, not for 6 months, not for a year, but until such time as markets become free and when each market in itself becomes free. Then they should be dropped and dropped immediately.

ALLOCATION OF GOODS

I would be remiss in my duty about this subject of price control on which I feel so keenly if I did not call your attention to the importance of the allocation of goods to price range. Price control in itself is not sufficient and itself cannot control inflation, nor can it by itself achieve the objectives for which we must aim. We must augment price control with allocation of goods into proper price channels to protect the low-end buyer and the medium buyer with sufficient quantities. For instance: If only 500,000 homes can be built in 1946 and the materials all went to build \$50,000 homes, we certainly would not be protecting the people who desire to buy \$10,000 homes. Likewise in textiles and clothing and in all the multifarious items that make up our consumer demand. It is important to channel a part of the goods into the low-end fields, or, with the most rigid price control, low-end goods will disappear and then you have another form of inflation. There are segments of our population that have not increased their purchasing power, whose earnings have not kept pace with this new economy. There are physical unfortunates, widows with limited incomes, and others so similarly situated whose purchasing power must be protected. The CPA programs have been most important in helping to restore and maintain low-end production. Not all wage earners and not all localities have increased their earnings commensurate with the times. Those people must be protected when there is so much money available for any price goods. It is therefore necessary to continue the Second War Powers Act, or combine both agencies. One is just as important as the other.

DEPARTMENT STORE SALES IN JANUARY, AND CONCLUSION

Gentlemen, department store sales in January averaged about 20 percent above a year ago and are continuing so in February. These sales are not due to inflationary prices, but due to the appearance of war-starved items. You pick up the newspaper today and you see electric irons, radios, gardening implements, electric toasters advertised, and as more and more of these durable items appear, volume will increase. This is all an indication of what is going to happen in the future, and a healthy indication it is of good business, full employment, and of well-rounded economy. Unfortunately strikes have set us back a little and have delayed us so much more on the road to full production. I believe I am too practical to expect the millennium. I will leave that to the dreamers, but I am

trying to be practical and trying to make common sense as I see it out of what I have stated to you here. I have tried, gentlemen, to bring to you salient facts as they appear to me as a small businessman. I hope I have made a contribution to your thinking. My deductions are those of an ordinary citizen adding two and two and getting four. In conclusion, it is my belief that premature release of price control will bring a chaotic condition, will upset our economy, will dissipate our war savings, place undue hardships on segments of our population, and undoubtedly will leave its impression for several decades. You have in your power the opportunity to create in this country the highest standard of living the world has ever known. You legislators have it in your power and in your hands to protect and guard the good and welfare of the citizens of this country by extending prosperity for many years to come. We won a great war and a great victory for our arms. History will show that. We will win another victory just as important, on our economic front if we will be patient and continue price control while it is necessary. That is part of history too and in your legislative powers are the tools to win this great victory. In your wisdom, I am confident those tools will be used diligently and well.

RETAIL TOBACCO DEALERS OF AMERICA, INC.,
New York 7, N. Y., May 2, 1946.

ROBERT F. WAGNER,
*Chairman, United States Senate Committee on Banking and Currency,
Senate Building, Washington, D. C.*

DEAR SENATOR WAGNER: I have been a small independent retail tobacconist for more than 30 years, doing business at 29 Maiden Lane, New York City under the name of Reinhard Bros. I am also president of this national trade association which represents retail tobacco dealers in every section of the country.

Because of my personal experience behind the counter in the tobacco store and because, as the retailer's national representative, it is natural for the reaction of our trade throughout the United States to literally pour into my office, I feel that I can speak authoritatively for the hundreds of thousands of truly small businessmen who have no political ax to grind.

With respect to the extension of OPA, presently being considered by your committee, we should like to make one definite recommendation: Whatever form future OPA legislation takes as the result of your committee's consideration, we firmly believe that it should include a clear-cut and unambiguous definition which instructs the OPA authorities on the vital issue of price decontrol.

Despite repeated statements from OPA that it was no longer interested in retaining ceiling prices on commodities, the production of which equaled consumer demand, this agency continues to wield the strongest type of price regulation on the sale of cigarettes, although several months ago cigarette production returned to normal and began to exceed demand.

Only a few days ago, the OPA granted the cigarette manufacturers an increase equivalent to one-half cent a package, with authority to the manufacturer and jobber to pass this increase along to the retailer, but compelling the retailer to absorb this very substantial increase on all single pack sales. We contend and fairly so, that the small retailer whose cigarette business comprises 50 percent of his gross volume of business can ill afford to make this sacrifice forced upon him by the OPA. We know of no product that is selling today at exactly its prewar price. Yet, the only adjustment cigarette prices have undergone since 1937 was the result of an increase in the Federal excise tax in November 1942.

It is well known that because cigarettes are so popular and readily identifiable and sold by so many diversified types of retailers, that they are subject to extremely keen competition. They have been made available at retail to the consumer at a very low gross margin, not even a sufficient mark-up to allow the retailer to recoup his cost of doing business.

It is apparent that price control on cigarettes is no longer necessary and that a return to natural laws of supply and demand will assure the consumers of fair and reasonable prices. The OPA as extended, must include a policy which makes it mandatory on the agency to release from price control at once all commodities the supply of which equals the demand. Cigarettes is unquestionably such a commodity.

Respectfully yours,

ERIC CALAMIA,
President, Retail Tobacco Dealers of America, Inc.

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 1959

STATEMENT OF THE PEOPLE'S LOBBY, INC.
(By Benjamin C. Marsh, Executive Secretary)

Extension of OPA must be supplemented by anti-inflation measures.

We ask your consideration of the following facts.

Some of the House amendments to OPA are willfully designed to cripple its effectiveness, such as permitting a stated profit on every article, and upping parity prices for farm products.

Greatest handicaps to the effectiveness of price and rent control are:

1. Failure of Government to direct production of goods which people need, such as material for moderate priced clothing and housing, and to allocate raw material for such production as it could under war powers.

2. Failure to restore rationing of all essentials.

3. Exempting about 12,000,000 from the Federal income tax, and reducing income-tax rates.

4. Failure of Congress to make processors and distributors of farm products, agencies of the Government, with equipment pooled, and prices and profits limited, as in Britain.

5. Failure of Congress to maintain reasonable wage controls.

6. The extreme selfishness of most landed farmers who want to maintain the peak prices for their products.

7. Failure to tax land values more, and labor products less.

8. Failure of the American people to realize that much of the cost of the war must be paid by higher direct taxes, or higher prices as a basis for taxation.

Most Government policies are higher inflationary, and OPA cannot offset them. It can record the growth of inflation, and price bulges it permits, under pressure, but can't prevent black markets.

For the 6 weeks ended April 2, OPA reported 2 price decreases, 76 price increases, 24 prices maintained, 8 price controls suspended, and 6 price controls established.

Roll-back subsidies are wholly unjustified, since they subsidize the well to do who don't need it, and the practical substitute is direct Government payment to marginal producers of essential farm products, and some form of food allotment for families which need this.

When Congress ends the causes of inflation, OPA can serve the people effectively, but the only cure for black markets at present is public markets.

Yours sincerely,

BENJAMIN C. MARSH,
Executive Secretary.

GROCERY MANUFACTURERS OF AMERICA, INC.,
New York, 17, N. Y., May 1, 1946.

HON. ROBERT F. WAGNER.

*Chairman, Banking and Currency Committee, United States Senate,
Washington, D. C.*

DEAR SENATOR WAGNER: Thank you for your letter of April 29 inviting this association to present its written plea for amendment of the Emergency Price Control Act, as it relates to absorption of freight rate increases by industry.

Your attention is directed to petition before the ICC by the railroads for authority to increase freight rates and charges by 25 percent with some exceptions.

At the outset, let me say that this association feels the railroads are entitled to any general freight rate increase which they can justify as related to the general wage increase authorized effective January 1 by two Railway Labor Boards.

We also feel that industry generally should be permitted the right of automatic price increases where general wage increases of the industry have imposed an undue burden upon the product.

Our present concern is the possibility of having to absorb not only our own increases in labor, raw material, and other costs, but those imposed upon the railroads in the event the ICC authorizes a general freight rate increase to give relief to that particular industry, in which case our members would carry a double burden.

I should like to direct attention of the Senate Banking and Currency Committee to the Emergency Price Control Act of 1942, of which section 1499.2 (2) (ii) (b) of GMPR provides among other things, as follows:

"No seller shall require any purchaser, and no purchaser shall be permitted to pay a larger proportion of transportation costs incurred in the delivery or supply

of any commodity or service, than the seller required purchasers of the same class to pay during March 1942 on deliveries or supplies of the same or similar types of commodities or services."

In the case of certain commodities, GMPR has been superseded by later regulations, but to the best of our knowledge it is generally true in the grocery field that this same rule still applies. The effect of it would be to force a manufacturer who has been selling on a delivered price basis to absorb any increased freight unless he could get specific relief by an appeal to OPA.

In the distribution field, there are other regulations which would operate in the same way, namely: Section 4, MPR 421, pertaining to wholesale prices; and sections 4, 5, and 6 of MPR 422-3, pertaining to retail prices.

The general principle of these regulations is that once a ceiling price has been fixed it cannot be increased by reason of increased labor costs, increased freight costs, or increases in other costs without specific approval from OPA. The net of the foregoing is that any increase in freight rates cannot be passed along unless either Congress or OPA permits corresponding increases in the price ceilings at manufacturer, wholesaler, and retail levels.

We, therefore, urge your committee to give a mandate to the Office of Price Administration and/or Office of Economic Stabilization through an amendment to the Emergency Price Control Act of 1942, to the effect that where a general freight rate increase is approved by the Interstate Commerce Commission it may be concurrently reflected in the selling price of the manufacturer to a wholesaler or retailer, and that such wholesaler or retailer may in turn reflect such increased prices at that level.

Without such a mandate from Congress, OPA is likely to continue its demands that industry justify the need for price increases because of a general freight rate increase, product by product, as they have in the past, and there is a very strong likelihood that industry will be engaged in these persuasive tactics for a long period of time during which they would be called upon to absorb not only their own general wage increases but those imposed upon the railroads, which result in the authorization of general freight rate increases as well.

In closing, I might add that the ICC has approved a number of general freight rate increases in favor of the motor carrier industry, ranging from 4 to 20 percent, in different sections of the country, all of which have had to be absorbed in industry to date.

Sincerely yours,

PAUL S. WILLIS, *President.*

INTERSTATE PRINTING CORP.,
Plainfield, N. J., May 7, 1946.

SENATE BANKING AND CURRENCY COMMITTEE,
United States Senate, Washington, D. C.

GENTLEMEN: With regard to the matter of commercial rent control, I should like to go on record with the following facts in favor of any bill to establish ceilings on such rents.

I am the proprietor of the subject corporation, having succeeded my father in this capacity immediately after coming out of the Army, in which I served 4½ years, 3 of them overseas. The lease which we have on our property expires January 1, 1947, and the landlords who purchased the property during the war have signified through their agents that they expect a 100 percent increase in the rent now being paid upon renewal of this lease. This represents an increase of 150 percent over the rent first paid when we moved to this location approximately 11 years ago.

To move a plant such as this is a highly expensive operation, and one which I do not feel that I can afford at this time when I have just undertaken the operation of the corporation. There is doubt in my mind that another building suitable for housing us is available in this area at present, should I decide to move. Construction is out of the question. Therefore, my decision is to remain here.

The new figure for rental of this property is disastrously high, and not commensurate with the nature of our business or our operating margins. I have made overtures to the landlords' agents with the idea of renewal of the lease, but my terms have received no consideration.

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 1961

It is my firm belief that healthy business conditions can only be induced by stabilized rents in cases such as ours, and from the foregoing circumstances you may see that some regulatory measures by the Government are the only way of assuring fair and equitable rents.

Very sincerely yours,

OSUM FORT,
President, Interstate Printing Corp.

NEW ORLEANS, LA., *May 2, 1946.*

HON. JOHN OVERTON,
*Senate Banking Committee, U. S. Senate Building,
Washington, D. C.:*

Referring to hearings of vegetable-oil industry for higher ceilings on once refined oils and processed oils we wish to advise you that our refinery at Gretna, La., after successful operations since organization 1902 has been closed down since September 1943, because the spread between crude oils and once refined oils is only sufficient to partially care for our factory costs, leaving nothing for administrative costs, depreciation, or return on investments, etc. Some large companies can break even on once refined oils and make small but insufficient profits on processed oils which we do not manufacture, hence we cannot operate; therefore we earnestly plead for a minimum *advance of one-half cent per pound on once refined vegetable oils* which will allow us to again resume operations. Please insist that this be granted as it is a just, fair, and equitable, necessity revision upward and one OPA should willingly make and not be allowed to hold the line indefinitely. *If agreeable please include this wire in minutes of hearings.*

THE SEABOARD REFINING CO., LTD.

DETROIT 6, MICH., *April 25, 1946.*

Senator HOMER FERGUSON,
Senate Building, Washington, D. C.

DEAR SENATOR: I am enclosing the data to the Committee on Banking and Currency pertaining to my experiences with OPA. Believe I have incorporated everything in it, and I would appreciate your passing same on to the committee.

If I thought I could help the situation by appearing in person, I would gladly incur the expense and necessary time, but in view of the fact that a great many witnesses are there, they probably feel just as deeply as I do about it, and I will not make a request to appear.

I wish to call your attention to the following published in New York Times, Tuesday morning, April 23: A new regulation issued by the rent administrator in New York City effective immediately, states that every landlord must completely decorate every room in every apartment at least once every 3 years; that decorating a bathroom, kitchen and dining room, and leaving the living room will not be accepted or considered as compliance. This order is effective immediately in New York, and I do not know if it has been made applicable to Detroit as yet. Should it be made applicable, we will indeed be in a tough spot.

So, why should the landlord become the social parish and economic outcast because he cannot move his building to an area outside of a rent district? He is not permitted to convert his apartments to higher income property—such as the manufacturer who stops manufacturing a nonpaying item to go into a better paying one. We have a situation where the additional costs are being placed on the landlord without provision for increase in rental income, and the bad part of it is, in 1942 it was possible to decorate an apartment for \$55 (three rooms) and \$75 (four rooms) as against \$175 (three rooms) and \$225 (four rooms) today. Not only are we being called upon to meet advancing costs, but labor flatly refuses to give a day's work at the increased cost. If ever there was a time when labor should be compelled to assume responsibility for its part in contributing to the increasing cost of living, today is the time.

Certainly Mr. Reuther would very much like to receive 18 to 30 percent increases in pay rolls while the rest of us are frozen and locked in, and compelled to dance to his tune. I would like to tell Mr. Reuther the following story:

"A minister, after 11 months in his church, was very much perturbed to read in the local paper a rumor that his church was about to fold up. He, therefore, inserted an announcement of his own, to the effect that the following Sunday

would be his last in the community. He was leaving the church then, and those of the congregation who wanted to, could have the pleasure of seeing and hearing him for the last time. His church was packed to overflowing that Sunday. Upon completion of his sermon from the pulpit, during which he unburdened his bitterness and his resentment, he called attention to a coffin standing on a raised dais. He suggested that each person passing out of the church, go by the coffin to see for himself who was to be buried that afternoon. Each person upon filing by the coffin, gazed into a full length mirror."

Perhaps, Senator, this letter sounds bitter, but we are living in bitter times, particularly those of us who in the past looked hopefully forward to a time when his life of toil, thrift and industry would bring realization of discharging his full obligation as a citizen of his community, and the feeling that his family was provided for.

I know that you think deeply on these subjects, and I hope you will continue to enjoy the health and strength necessary to carry on in these trying times.

With kindest personal regards to yourself and Mrs. Ferguson, I am

Sincerely yours,

GEORGE LOWELL.

DETROIT 6, MICH., April 25, 1946.

The CLERK,

*Senate Committee on Banking and Currency,
Senate Office Building, Washington, D. C.*

DEAR SIR: I am enclosing a résumé of my experiences with the OPA, both as a landlord and as a farmer.

I have forwarded this to Senator Ferguson, to whom I have at various times related my experiences herein complained of, and who has kindly consented to deliver this enclosure to you for the committee.

Sincerely yours,

GEORGE LOWELL.

DETROIT 6, MICH., April 25, 1946.

The CLERK,

*Senate Committee on Banking and Currency,
Senate Office Building, Washington, D. C.*

DEAR SIR: In spring, 1942, I addressed an inquiry to Mr. Leon Henderson, advising that as one of the larger private owners of apartment house property in Detroit, I was desirous of cooperating with, as well as assisting in, the enforcement of rent control, and I required information as whether rent control applied to those parties such as doctors, lawyers, accountants—people who were exempt from ceilings on their services, as well as those tenants of mine who were in business for themselves, earning in some instances \$10,000 to \$15,000 per year. Mr. Henderson in his reply instructed me to take this matter up with our local administrator. I did. The administrator stated, "I do not make regulations. I am a policeman. I simply carry out orders."

I then wrote to the then Senator, Prentiss Brown, who fathered the act, requesting information, and pointing out the following paragraph in the rent-control regulations. "The administrator may make such classifications or differentials as will effectuate the purposes of this act." Senator Brown answered, "I cannot answer your letter, but I am requesting the information from Mr. Leon Henderson." And there the matter died.

I thereupon took one tenant of mine, an accountant in business for himself into court, and the result there was that the counsel for the OPA came into court declaring "You have no authority to act on this case." After several weeks of delay, during which the then administrator, P. J. McNamarra, made several personal calls to the court commissioner's chambers, said commissioner ruled against me. I then appealed the case to our circuit court, and at that time, counsel for the OPA advised the court that it had no authority in the matter, and no right to pass on the issue placed before them.

During 1942, I had numerous instances, as for example: A tenant prior to April 1, 1941, our rent-freezing date, might be unemployed, or laid up with an accident, sickness, etc. In numerous instances I had reduced rents from 20 percent to as high as 40 percent in my desire to help an unfortunate person. In each instance, to the credit of these tenants, as fast as their financial condition improved, they resumed willingly, their previous rate of rent. In one instance a tenant who was paying \$45 per month, got a reduction of \$20 per month, because

of an accident in which he broke a leg, and was unable to work. When his leg mended, in late summer of 1941, he advised me he was back on the job, and began paying the rate of rent comparable to similar apartments in the building, in this instance, \$45. Under rent control, I found myself obliged to rent to this man at \$25 a month, because on April 1, 1940, he was only paying \$25 due to the circumstances above stated. The Rent Control Act provided for adjustments of just such inequalities, but rent controllers' practice in Detroit did not provide for such adjustment. Not only was I compelled to rent to this tenant at \$25 per month, when everybody else was paying \$45, but when he vacated, I could only rent that apartment to new tenants for \$25 per month. Result was I kept the apartment vacant, and did not rent it. I have since then sold the building, prompted maybe by disgust over such procedure.

I have a building today, a 100-family building, in which 3-room apartments on different floors rent from \$42 to as high as \$60 per month. Now, either the \$60 occupant is paying too much money and is being imposed upon by me; or the \$42 tenant is paying too little, and I am being imposed upon by him. This building brings in \$6,000 per month. I have estimated that were I able to adjust these matters, there would be a difference of nearly \$500 a month in rental income. And I know that my operating costs in this building have increased at least that much since April 1, 1941.

The administration of rent control in Detroit deprives the landlord of any relief, and there is no court in the land to which he can appeal, other than the OPA board, who has avowedly stated that they will not "give a landlord a break" to use the vernacular.

My next experience during 1942 was in a 35-family building, in which I had started to install new refrigerators during winter of 1940 and completed the job in midsummer of 1941. I then found that those who had had refrigerators installed prior to 1941 were not asked to pay \$2.50 a month additional rent. But those tenants in whose apartments the refrigerators had been installed subsequent to April 1, 1941, were requested to pay \$2.50 per month more. I refused to accept such a ruling on the grounds that it was inequitable; that all tenants should be treated alike. Result was I was the loser; \$2.50 a month on 35 apartments, total, \$87.50 a month, which has been going on for a number of years under rent control.

In July 1945 a tenant sublet her apartment without our knowledge or consent. This subtenant burned out the motor in the refrigerator by installing a copper penny in back of the fuse, and almost set fire to the apartment and building. We demanded that the tenant immediately evict the subtenant, and repair the damage done by this party. The tenant refused, took the matter up with OPA, and after a lapse of some 6 months, OPA gave the tenant a reduction of rental in amount of \$2.50 a month, on the grounds that she was now renting an apartment without refrigeration. We did not appeal this ruling because based on our experience, such appeals are useless, and a waste of time and effort. Prior to this ruling, we had advised that the refrigerator had been repaired, and we would reinstall it in the apartment, and that we were going to bill the tenant for the cost of the repairs, which in this instance was \$13. However, when we received this ruling, we had the refrigerator removed from the apartment, so that we are now giving the tenant what was requested of us—that is, an apartment without refrigeration. The tenant now is agreeable to paying the cost of repairs to the refrigerator, and wants refrigeration reinstalled, but the OPA rules that we must first reinstall the refrigerator, filing a petition for restoration of former rental, but that such restoration would not be retroactive to the date of installation; that they could not promise to act any faster than at least a few months. And therefore, we would be in the position of supplying refrigeration without compensation until they ruled on our petition. So here is another instance where rulings are retroactive for the tenant but not for the landlord, even though the tenant, under the laws of our State, is responsible for damages to the quarters and equipment, as caused through his carelessness, intentional or otherwise.

I have made a practice for years of only renting on a 12-month lease, and taking the twelfth month rent as security from the tenant for performance and guarantee he would leave the premises in good condition, less normal wear and tear, at the expiration of the lease. The OPA ruled that such deposits were illegal—thereby invalidating my leases, and some of these leases having been in effect prior to rent control. I was hauled before the Federal court on requests for permanent injunction, Judge Lederle being presiding judge. On this case I was accused of violations on buildings that I did not even own, or ever had managed. The OPA had not

even troubled to verify the ownership. Under question of a month's rent as security deposit on the lease, the counsel for OPA ruled that inasmuch as 90 days had elapsed since regulation had gone into effect, the Federal court had no right to pass in the matter—even though during the 90-day period in which a landlord could have filed appeal, the OPA kept this regulation in the dark; not enforcing same, so that no landlord would have any occasion to question its validity, until such time as the statute or limits set up by themselves would prevent such procedure.

Regulations call for an increase of rent on capital expenditures. I advised the OPA that I had tiled bathrooms in a 100-family building, that did not previously have tile baths. I spent approximately \$10,000 on such improvements. The administrator advised me that because I had spent so much money tiling the floors instead of putting the tile on all the wall (this tiling job consisted of tiling around the tub and shower), and the full length of the floor as has always been the custom; so that the bathroom would be tiled around the tub where the water would splash, and the walls beyond the water's reach are plastered (an established custom), I was not entitled to any relief.

In November 1945 I called on Earl Fitzgerald, director of OPA for the State of Michigan, advising him that in an apartment hotel building of 270 rooms which I owned—one of the higher quality buildings in our city, catering to a group in the higher-income brackets—the dining room had been operated as a tearoom by a private contractor, man and wife, who had not paid any rent, lights, or gas bills; had no investment in dishes, kitchen equipment, etc., as all the equipment was property of the building, having been turned over to them so that an eating place could be operated for the convenience of the residents of the building. He had finally given up due to inability to obtain price relief, and they could no longer operate and make expenses. I advised Mr. Fitzgerald that I wanted to open not a tearoom, but a high-grade dining room in keeping with the character of the building. I was not taking over a business. I was not purchasing a restaurant—the equipment having belonged to the building all the time—and I felt I was starting a new enterprise, and I should not be limited to the price range of the former operator, who had been unable to make ends meet, and was going out of business. Mr. Fitzgerald ruled that it was a new enterprise, and assured me I could go on remodeling, reequipping the place, and buying what I needed. I spent several thousand dollars on decorating; new equipment; materials, etc. I hired a chef for \$10,000 a year, and incurred additional expense in planning, etc.

Mr. Fitzgerald advised me he had made the ruling, and when I was ready, I was to go back and supply a list of my expenditures, and he would give me a price list comparable with anything in the city of like type. I was not ready to commence operations until latter part of January 1946. By this time, Mr. Fitzgerald had resigned as State director, effective February 1. In spite of the fact that prior to effective date of his resignation Mr. Fitzgerald had set down his written opinion and decision, and instructed his subordinates to proceed on this basis, I was denied a new price list on the grounds that the State director had no authority to make such a ruling; that only the legal staff for the district had that right, and they would not consent. Their theory was that if I were operating at a profit from room rentals, I should be willing to absorb the loss in the dining room. I then countered inquiring if this spread of loss would be limited to that one building; or would they, in the event the losses in the dining room absorbing the profit of the building—call on the profits of other buildings I owned to recover the loss. The attorney stated, "That could be." (I did get one lucky break. My \$10,000 chef was unable to obtain a release from his existing employer, and I was spared the expense of having a \$10,000-a-year man on my hands with no place to employ him.)

During spring, 1945, a petition was filed on an apartment hotel as a hardship case, under the provisions of the laws amended in 1945, whereby a landlord could prove a reduction of revenue and petition for relief increasing rent. After a lapse of many months the administrator ruled that he would not pass on our petition, because in his opinion, we should never have been registered as a hotel, but as an apartment house, and that if we would change our registration from a hotel to that of an apartment building, and receive rentals which in their opinion were comparable with similar quarters, we could operate for a period of a year, and if we again had a hardship case, we could press it at that time. Knowing the OPA as we do, we did not want to incur the risk, not only of receiving a lesser rate of rental through change in registration, but also incur a possible disastrous risk of being asked to refund to tenants for 3 years, due to such obligatory change of rate on the part of the administrator. We, therefore, took the

position that the registration had been accepted, and had been in effect since rent control, and we would not make any change of registration at this time; that the building had since inception been classified as a hotel; was listed as a hotel in our directories, and, therefore, we appealed the case to Cleveland. Although 6 months or more have elapsed, we still have been unable to receive any action on our appeal. Again, adjustments of rents are not retroactive for the landlord.

This position of the OPA that a landlord now having 100 percent occupancy is in a position to offset increases in costs is not true. The merchant and manufacturer has as high as 300 percent increase in sales without any sales effort; has been permitted numerous increases in prices; has been permitted to reduce the quality of his goods, which is an indirect additional increase in price. The retailer has been permitted to reduce his free services, such as delivery, exchanges, etc., and still has been permitted his margin of profit—or permitted to pass on his increase in cost of doing business by including it in his cost of merchandise.

During the past few months we have seen every item of food and clothing receive increases of 10, 15, and 20 percent with the result that food and clothing have gone up better than 40 percent since April 1, 1941, our freezing date, without taking into consideration the additional increase in price through reduction in quality; while rents have remained stationary. Our operating costs are daily increasing, as are our pay rolls, coal costs, etc. A three-room apartment that formerly cost \$55 to decorate, today costs \$175. The same tenant who in 1941 was paying us \$40 a month, had average earnings according to United States Department of Commerce figures for city of Detroit of under \$35 a week. In 1945, his average earnings were \$63 a week, but he still pays \$40 rent, while our costs have greatly increased.

During month of January 1946, I went into court for an eviction order on a tenant who moved a man into her apartment who, to the best of our knowledge, was not her husband. The attached news article from the Detroit Free Press under date of January 19, 1946, is self-explanatory, and outlines position taken by OPA. Under this regulation, a landlord must accuse a tenant definitely of a crime before the OPA will permit the court to consider the complaint.

(The news article referred to is as follows:)

WHOM SIN HATH JOINED, OPA WON'T RENT APART

George Lowell, owner of the Wayne Apartments, Inc., at 2325 East Grand Boulevard, finds OPA rent regulations a bit too much for him.

On January 3, he filed an eviction notice against a woman tenant because, he charged, she permitted a man to live with her in her one-bedroom apartment. A copy of the notice, as per regulation, was forwarded to OPA.

In explaining the reason for the eviction, he said:

"Tenant claims she has permission from the OPA to permit this condition."

Back from OPA to Lowell came a notice signed by P. Mohardt, rent attorney, for P. V. McNamara, rent director (now resigned).

It declared, "Your notice fails to state any ground * * * upon which you rely for eviction of the tenant. Your notice therefore fails to meet the legal requirements."

Whereupon, Lowell sat down and composed a letter to President Truman.

"To me, the protection of public morals and conventions is just as important as the price of citrus fruits," he said.

John A. Hird, chief attorney for the OPA's rent division, pointed out that Lowell had failed to specify the particular charge under which he sought eviction.

Hird said that Lowell's complaint failed to state whether the woman's alleged conduct constituted (a) a nuisance, (b) an immoral act, or (c) an illegal act.

All three are set forth in regulations as grounds for eviction, Hird said.

And there the matter rests.

The regimentation which, of necessity, accompanies rationing and price control, can only result in the complete break-down of the moral fiber of the American people, who for 4 years have stood in block-long lines, three and four abreast, bootlicking, groveling before arrogant shopkeepers; cringing, bribing, cajoling, for a pair of hosiery, a white shirt, a pound of butter; paying tribute and blackmail for used machinery, parts, furniture, priced far above its original cost. The American people have lost their powers of indignation. They have become acquiescent and misled by all this false publicity through the fear of inflation on the one hand and political bribery on the other, making them believe that they are receiving

something at the other fellow's expense. The actual truth being that with the exception of rent control not one promise has been kept; not one item in the cost of living that has not pyramided.

On my farm I have had the Government sell me subsidized wheat at a loss to the taxpayers of 20 cents per bushel, while in the adjacent field, a farmer was burning his surplus wheat because he had raised more than his AAA quota, and he had the choice of destroying excess crops or paying 48 cents a bushel penalty on his entire crop. I have talked to a head of the Bureau of Markets, a civil-service employee who still retained the courage of his convictions. He told me that for 25 years he had assisted the Government in spending millions of dollars to educate the farmers to raise better poultry; produce better eggs; grade fruit; market in a more sanitary and attractive manner. And with one stroke of the pen OPA had wiped out the work of 25 years and millions of dollars spent, because under their ruling an egg is an egg; an apple is an apple; a potato is a potato, regardless of size, quality, and sanitation.

The use of subsidies is misleading a devoted public as to its intent and unsoundness, as evidenced by the latest subsidy in the Department of Agriculture, offering a bonus of 30 cents per bushel above market prices for both wheat and corn in an attempt to enable the Government to obtain grain for UNRRA—again throwing the entire structure out of balance, by making it more profitable to sell grain to the Government; more profitable to sell grain, rather than to feed livestock at OPA prices. And when the inevitable shortage of livestock occurs next fall, additional subsidies will be recommended so that the packer will be able to bid against the Government in an attempt to obtain livestock for slaughter. All this emphasis on subsidy to cover the misdeeds, the unsoundness, and the sins of price control, simply because price control is not an economic necessity, let alone an economic desirability.

In closing, permit me to make the following suggestions: Remove the rights from the OPA to make any law and legislation effective through the issuance of regulations in secrecy for 90 days, and then rule that after 90 days, the courts have no right to pass on the legality. (If a court has a right to pass on such rulings for 90 days, why should not they have the same right for 120 days, or a greater period?)

Do not permit the OPA to read into price regulations, laws and legislation that Congress has on every occasion refused to pass. Let us put an end to government by edict. Make all rent adjustments retroactive for the landlord as well as for the tenant. Why is the collection of a 1-month's rent as security on a 12-month lease a hardship on a tenant? Is it better for the tenant to not have the protection of a lease? Should not the tenant assume responsibility for his actions? Is it inflationary for a tenant to have a month's rent saved through a deposit on his lease?

Very truly yours,

GEORGE LOWELL.

GENERAL FEDERATION OF WOMEN'S CLUBS,
Washington, D. C., April 24, 1946.

HON. ROBERT F. WAGNER,
United States Senate, Washington, D. C.

DEAR SENATOR WAGNER: The General Federation of Women's Clubs, an organization of 2,500,000 homemakers, is on record for "continued Federal legislation for equitable wage ceilings and price control on basic commodities such as food, shelter, and clothing as being essential to the common good and to sustained prosperity during the period of readjustment."

I therefore urge passage of price-control legislation which will adequately protect the people of the United States from further inflationary prices on food, shelter, and clothing.

I believe that inflation far exceeding that of postwar days of World War I will follow unless effective price control is maintained, and that a far deeper depression than that of the 1930's will result, from which business will not recover for many years to come.

I believe also that materials can and will be released as soon as the price-control legislation is disposed of; that this will happen if an effective Office of Price Administration, functioning in an equitable manner, is maintained. This will mean immediate stimulation of business so sorely needed at the present time.

Therefore, for the future and long-time welfare of private enterprise, for the immediate increase in national production and distribution, for the protection of

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 1967

the buyers of the Nation whose well-being is essential to prosperity, I urge, without delay, continuance of genuine price-control legislation.

Respectfully and cordially yours,

Mrs. LaFELL DICKINSON, *President.*

NATIONAL ELECTRICAL MANUFACTURERS ASSOCIATION,
New Britain, Conn., April 15, 1946.

The Honorable ROBERT F. WAGNER,
Banking and Currency Committee, Senate Office Building, Washington, D. C.

DEAR SIR: Confirming your telegram of April 13, I will be present at your committee meeting at 10:30 a. m. Tuesday, April 23, to present our views on the continuation of price control.

Yours very truly,

R. L. WHITE, *President.*

APRIL 13, 1946.

R. L. WHITE,
*President, National Electrical Manufacturers Association,
47 Center Street, New Britain, Conn.:*

Have changed your date of appearance on S. 2028 to Tuesday, April 23, at 10:30 a. m.

ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee.

NEW BRITAIN, CONN., *April 13, 1946.*

ROBERT F. WAGNER,
Senate Committee Banking and Currency:

Is it possible change my hearing of S. 2028 now scheduled April 18 to April 23, 24, or 25. Fifteen minutes will be sufficient time.

R. L. WHITE,
National Electrical Manufacturers Association.

APRIL 12, 1946.

Mr. R. L. WHITE,
*President, National Electrical Manufacturers Association,
47 Center Street, New Britain, Conn.:*

You are scheduled to appear before the Senate Committee on Banking and Currency on Thursday, April 18, at 10 a. m., in room 301, Senate Office Building, to present your views on S. 2028, price control extension bill. In view of time limitations caused by committee's heavy schedule, you will be expected limit your testimony to 30 minutes. Please acknowledge.

ROBERT F. WAGNER,
Chairman, Senate Committee on Banking and Currency.

NATIONAL ELECTRICAL MANUFACTURERS ASSOCIATION,
New Britain, Conn., March 21, 1946.

The Honorable ROBERT F. WAGNER,
*Chairman, Senate Banking and Currency Committee,
Senate Office Building, Washington, D. C.*

DEAR SIR: I would appreciate the opportunity to appear before your committee on the question of the extension of the Price Control Act if you can arrange to hear me. I have not appeared before the House committee.

At your convenience, will you please advise me approximately when you would like to have me appear if my request is granted?

Yours very truly,

R. L. WHITE, *President.*

LOS ANGELES 13, CALIF., April 23, 1946.

SENATE BANKING AND CURRENCY COMMITTEE,
Senate Office Building, Washington, D. C.

GENTLEMEN: I wish to urge the continuation of the premium price plan as a part of S. 2028 now under consideration by your committee. There is today in the United States a shortage of copper and lead, and the country is approaching a shortage of zinc. Such shortages require the utmost domestic production to meet industrial requirements.

Our mine is currently producing at the rate of 900 tons of copper metal, 3,600 tons of zinc metal, and 250 tons of lead annually. Our mine is a typical small California mining operation. We are unable to produce metal at the present ceiling price, and an exorbitant ceiling price, as a matter of fact, would be necessary to bring out all of our production. A ceiling price that would bring out our production would mean a tremendous cost to the consumer on the metals produced by low cost mines. Nevertheless, there is an urgent need for the production of our mine.

We are currently operating under the premium price plan. Were this plan discontinued, we would be forced to cease operations. As result, our mine would fill with acid water and the metal would be irretrievably lost. Consequently, we believe that the recovery of the metals in our mine at this time under the premium price plan is conservation of natural resources at a time when the metal is urgently needed by industry.

We do not believe that a run-away price forced by industrial demand high enough to bring out our production would be a good thing for the country, or a satisfactory solution to the mining industry. Such a high price would result in increased costs, price spirals, and inflation. Hence, we urge the continuance of the premium price plan as a conservation of natural resources and to prevent inflation.

We wish at this time to state that, so far as our experience is concerned, the administrators of the premium price plan have been both flexible in their adaptation of the plan to our particular situation and efficient in its administration. In the early development of our mine we came to a point, before reaching full production, where due to the heavy investments we were in a poor cash position. We presented this situation to the quota committee. Premiums were adjusted promptly to provide higher payments for a reasonable period; thus we were quickly able to get into full production and have since operated at a good rate. The investments made by the Metals Reserve Company and by ourselves have now been almost completely returned, and we are in a position to earn a reasonable profit on the undertaking.

Very truly yours,

EAGLE-SHAWMUT MINE, PENN DIVISION,
By GEORGE W. CLEMSON, *Partner*.

OAKLAND, CALIF., May 1, 1946.

Senator ROBERT F. WAGNER,
Senate Banking and Currency Committee,
Washington, D. C.

Acknowledging Senator Robert F. Wagner's two-page letter of April 26 and received here May 1. It explained impracticability of my testifying before Senate committee and he suggested that I file with clerk of your committee not later than May 1, 20 copies of statement of information and views I wish to present which will be incorporated in committee record.

I have discussed with local OPA subordinates and officials admittedly ridiculously low levels. I have pointed out repeatedly to them that this was so because I had tried to help poverty-stricken people to keep under a roof and with utilities within their means. Such was frequently the dole or country air or unemployment insurance. I pointed out that I was following my Christian precepts and besides had ample other income at the time from other enterprises; in spite of such repeated representations I was told time after time that unless I could show substantially greater expenses or direct blood relationship or something very similar that I would be wasting my time in filing petitions, for I set these rents myself in an open market and that the OPA had no hand in setting them. They said that only an act of Congress could raise those rents. Besides, why did I not raise the rents when I had the chance, on a rising market? I was not a good businessman.

However, after photostating four of my worst registrations such as a three-room place with kitchen and bath and all utilities and electric refrigeration, frozen at \$14 per month, and mailing copies to every congressman in Washington, I have received very considerate treatment from local OPA. At its urgent behest I have therefore filed 19 petitions up to now, receipted for by Archie McKinley for increase in rent based on up-to-now withheld detailed regulations under item 4, Form D-1. I am entitled to increased rental provided I can show that my rent was low because of the exercise of human compassion or human interest or just simple charity. Letters of verification from present and past. I have been reliably advised that such detailed information on regulations is treated by OPA as top secret and is divulged only to OPA attorneys and officials. Why did not OPA advise me of my full rights years ago? In my opinion this is part of the pattern of inefficient Government bureaucracy. We landlords are so discouraged by such treatment that the net result is an increasing and probably permanent housing shortage which will injure the homeless most of all. Who is it that OPA is trying to help or to hurt. Air-mailed registered copies one to each member of committee, please. Incorporate in record.

M. C. CASLIN.

HOSIERY WHOLESALE NATIONAL ASSOCIATION, INC.,
NEW YORK 4, N. Y., May 11, 1946.

In re Emergency Price Control Act.

COMMITTEE ON BANKING AND CURRENCY,
United States Senate, Washington, D. C.

GENTLEMEN: The Hosiery Wholesalers National Association, Inc., respectfully submits this memorandum and accompanying exhibits and requests their inclusion in the record of hearings being conducted by your committee on the extension of the Emergency Price Control Act.

This association favors the continuation of effective price control until June 30, 1947, with the recommendation that two amendments be adopted to safeguard rights of distributors and that OPA policies be made more flexible and its administrative procedure accelerated to insure maximum production.

We respectfully urge that the extended Emergency Price Control Act should prohibit the OPA: (1) From controlling distribution by provisions such as the "wholesaler percentage" limitation on women's nylon hosiery in MPR 602; and (2) from requiring wholesalers and retailers to absorb ceiling increases granted to manufacturers.

(1) The wholesaler percentage limitation: The "wholesaler percentage" limitation on nylon hosiery has already been brought to the attention of many members of the Senate and House by complaints from wholesalers and also from retailers who are dependent upon wholesalers for their supply of nylon hosiery.

The "wholesaler percentage" limitation (sec. 2c (3) of MPR 602) provides that a manufacturer may not, in any calendar quarter, sell to wholesalers or other non-retail sellers a larger percentage of his deliveries of women's nylon hosiery in excess of the percentage of all women's full length hosiery which he delivered to such sellers in the year 1941.

Since all wholesalers of nylon hosiery are required to be licensed, the OPA is directly limiting the amount which licensed wholesalers are permitted to buy and sell at the maximum prices specified by the OPA itself.

Prior to its issuance, this provision was unanimously disapproved at two successive meetings of the hosiery wholesalers' industry advisory committee established by OPA. Immediately upon its issuance, our association repeatedly protested to the OPA that it was uneconomic, unjust, and discriminatory against small business and illegal.

On February 20, 1946, we submitted to the OPA a memorandum setting forth our objections to the "wholesaler percentage." We respectfully request that the annexed copies of this memorandum and the reply of the OPA denying our request be made part of the record in support of our proposal.

We are of the firm opinion that the "wholesaler percentage" is illegal and in violation of the Emergency Price Control Act and particularly of section 2 (h) thereof. To obtain a judicial ruling on this issue, the necessary formal legal protest was filed with the OPA on April 16, 1946, by eight wholesalers located in New York, Boston, Philadelphia, and Chicago. If the protest is denied by the OPA, a complaint will be filed in the Emergency Court of Appeals.

The pending litigation will not be completed for several months and wholesalers and independent retailers are being seriously affected. While we are confident that ultimately the courts will hold that the present law is sufficiently clear and that this provision is illegal, we urge that, in the interests of time, the amended Emergency Price Control Act should contain a provision which will make clear even to the OPA attorneys that the law prohibits the OPA from issuing regulations which restrict purchases by wholesalers such as are embodied in the "wholesaler percentage" limitation. Moreover, even if OPA has the power to issue such restrictions, they are unjust and uneconomic and should be prohibited by statute.

We respectfully refer to our memorandum for a detailed statement of our opposition to the "wholesaler percentage" limitation. We desire, however, to emphasize one factor which has become of increasing importance since our memorandum was submitted.

We predicted that the "wholesaler percentage" limitation would cause wholesalers to receive in the first quarter of 1946, a percentage of nylon hosiery deliveries which would be less than the "wholesaler percentage" for the year 1941. Our prediction has been borne out by the facts and the corroborative evidence is in the possession of the OPA.

By April 20, 1946, manufacturers were required to report to OPA their deliveries to wholesalers and other sellers for the first quarter of 1946. We believe that these reports show that the percentage of nylon hosiery deliveries to wholesalers between January 1, 1946, and March 31, 1946, was substantially less than the percentage of women's full length hosiery delivered to wholesalers in 1941.

Moreover, conditions developed particularly during last month will further sharply reduce deliveries to wholesalers.

With the approval of the OPA, manufacturers are establishing their own or affiliated retail stores or renting departments in department and chain stores at nominal rentals. On such operations, manufacturers receive the full retail prices, which are about \$6 per dozen more than the ceilings on sales to wholesalers. As a result, wholesalers and independent retailers have lost sales on thousands of dozens of nylon hosiery.

Under the "wholesaler percentage" limitation, a manufacturer may reduce or discontinue sales to wholesalers, but may not increase such sales and if he did not sell wholesalers in 1941, he may not sell wholesalers at all. In view of this one-sided provision wholesalers are unable to replace the nylon hosiery which they were formerly purchasing from manufacturers who are now selling directly to consumers or to department and chain stores.

We respectfully urge that the facts and arguments set forth in this letter and our accompanying memorandum conclusively demonstrate that the "wholesaler percentage" limitation is improper. We, therefore, respectfully urge your committee to take appropriate action to prevent the OPA from continuing this discriminatory restriction on wholesalers and independent retailers who constitute so large a part of the small businesses of our country.

(2) Cost absorption: Under its cost absorption policy, the OPA requires wholesalers and retailers to absorb increases in manufacturer's ceilings. We do not object to the granting of these increases to manufacturers, nor do we desire a percentage of profit on these increases. We do object, however, to being required to absorb a substantial part of these increases.

We propose that a wholesaler be permitted to add the net amount of any manufacturer's increase to his own ceiling. The wholesaler would not thereby receive a percentage of profit on the amount of the increase. By merely adding the amount of the increase to the wholesaler's ceiling, there is already a reduction in his percentage of profit and the dollar mark-up per unit remains the same as in the base period.

OPA has justified its cost absorption policy by claiming that the profits of distributors are sufficiently large so as to enable them to absorb ceiling increases. We dispute both the premise and the conclusion.

The wholesalers' profits have not been larger than any other segment of industry. Moreover, OPA is a price regulating and not a profit regulating agency.

The original ceilings of both manufacturers and distributors were fixed by the OPA as fair and equitable. On the basis of these prices, distributors were entitled to certain mark-ups. When the manufacturers' ceilings are increased, the distributors are, therefore, entitled to continue the same mark-up. OPA should not be permitted to judge whether the profits based on these appropriate ceilings are sufficiently large to require absorption of such increases.

Moreover, there is a clear discrimination in OPA's policy between manufacturers and distributors as is exemplified in the recent Revised Supplementary Order 154 issued by OPA on hosiery and underwear. Under this order, a manufacturer is entitled to add his increases in costs of raw material and labor to his March 1942 ceiling. However, the wholesaler is not permitted to add to his ceiling the full amount of such increases but is required to absorb 30 percent of any increase up to 20 cents per dozen.

We believe that that same policy which permits manufacturers to add their increases in basic costs to their March 1942 ceilings should also be applied to distributors who should be permitted to add to their ceilings any increase in costs of acquisition resulting from increases given to manufacturers.

In view of the foregoing, we respectfully request that the extended Emergency Price Control Act be amended so as to prohibit OPA from requiring cost absorption by wholesalers and that they be permitted to add to their ceilings any increases granted to manufacturers.

We respectfully urge your committee to act and report favorably upon the amendments requested in this memorandum.

Very truly yours,

HOSIERY WHOLESALEERS NATIONAL ASSOCIATION INC.,
By LEO GUZIK, *Executive Secretary*.

HOSIERY WHOLESALEERS NATIONAL ASSOCIATION, INC.,
New York 4, N. Y., February 20, 1946.

Re "wholesaler percentage" limitation on nylon hosiery under section 2 (c) 3 of MPR 602.

OFFICE OF PRICE ADMINISTRATION,
Washington, D. C.
(Attention: Mr. Geoffrey Baker.)

DEAR MR. BAKER: Since the issuance of MPR 602, our association has registered with OPA its emphatic protest against section 2 (c) 3 of the regulation which restricts the amount of women's full-length nylon hosiery which may be sold to wholesalers. Prior to the issuance of the regulation, this provision was unanimously disapproved by two successive meetings of the wholesalers' industry advisory committee.

We have, in the course of the past 3 months, through our counsel and committees, conferred with you and Messrs. Levitties, Sells, Lieberman, Boner, and Goldberg on this problem. A hearing was held by the Committee on Small Business of the United States Senate, and at its suggestion further conferences were held. We have been assured on several occasions that the entire question was being reconsidered by the OPA, and we therefore refrained from taking further action. In order that there may be no misunderstanding of our position, or avoidance of responsibility on this crucial issue, we are submitting to you this review of the data and arguments presented by us.

In view of the serious harm which is being suffered by wholesalers and independent retailers as a result of this restriction, we ask that an immediate and final decision be rendered upon our request for revocation of section 2 (c) 3 and its companion reporting clause section 2 (c) 4.

In the event of an unfavorable decision, we await your early reply to this memorandum, as we earnestly believe that the hosiery wholesalers and independent retailers are entitled to an explanation from OPA with respect to the facts and arguments submitted by us.

Section 2 (c) 3 provides that a manufacturer may not sell a larger percentage of his current production of women's full length nylon hosiery to nonretail sellers than the percentage of all women's full length hosiery which it sold to nonretail sellers in 1941. This percentage which the manufacturer is permitted to sell to nonretail sellers who include wholesalers, exporters, foreign purchasers, and other manufacturers, is designated as his "wholesaler percentage."

Section 2 (c) 4 requires each manufacturer to report his sales to the various classes of customers in 1941 and to file quarterly reports of his 1946 sales to such customers.

Since most nonretail buyers subject to this limitation are wholesalers, section 2 (c) 3 clamps an ironclad limitation on the percentage of production which may be sold to them through them to independent retailers. As we shall hereinafter demonstrate, the "wholesaler percentage" limitation will necessarily cause

wholesalers and independent retailers to receive even a smaller percentage of current production of women's full length nylon hosiery than they did in 1941.

Importance of the issue: We consider the issues involved in this problem of paramount importance for the future of the wholesaler and the independent retailer not only in hosiery but for the entire apparel industry. It is much more than a matter of price that is involved; it is the fundamental issue as to whether the OPA may restrict wholesalers and independent retailers in the amount of merchandise which they can purchase so as to protect chain stores and other large distributors.

The statement of considerations asserts that: "In the opinion of the Administrator this provision (the 'wholesaler percentage' limitation) should afford requisite relief to the chains." We respectfully challenge both the power and the justification for its exercise.

In view of its paramount importance to the consumer, nylon hosiery constitutes a most important factor in the retailing business. If the department stores and chain stores will be enabled by OPA to preempt the sales of nylon hosiery, they will draw to themselves sales of other commodities, to the irreparable injury of independent retailers.

Responsible officials of the OPA have on many occasions publicly and privately represented that they consider the wholesaler in general and the hosiery wholesaler in particular as essential to our economy. We are led to believe, however, by the example of section 2 (c) 3, that this appreciation of the wholesaler's importance is not being exemplified by concrete action. We are fearful that the "wholesaler percentage" limitation indicates the adoption by the OPA of a policy which affirmatively prejudices the wholesaler and independent retailer.

We desire to emphasize that wholesalers represent not only themselves but also the many thousands of unorganized retailers whom they serve in all parts of the country. Many of these retailers are known as "home town stores" and are vitally necessary to the welfare of the communities in which they are located.

While this memorandum is officially submitted on behalf of hosiery wholesalers, it therefore also speaks for the many thousands of independent retailers who are dependent upon them for their supply of nylon hosiery.

It will not be disputed by those with any familiarity with our economic structure that the independent retailer is a most important factor in our economy and that he is wholly dependent upon the wholesaler for his supply of merchandise. Professor Beckman in his article on Wholesaling in the *Encyclopaedia of Social Sciences* reaches the following conclusion: "The services which the wholesaler normally renders his customers are many and varied; were it not for the facilities thus made available, the average retailer could not possibly remain in business."

In view of our numerous conferences with the OPA, we have refrained from communicating to independent retailers the dire effect which this restriction will have upon their welfare. Should a final decision be made to retain this limitation, it will be our duty to advise the retailers who are clamoring for their nylon hosiery that OPA has restricted and reduced the amount which can be sold to wholesalers upon whom they depend for their supply of merchandise.

Our opposition to section 2 (c) 3 embodying the "wholesaler percentage" limitation is based upon the following grounds:

1. The "wholesaler percentage" limitation is a one-sided discriminatory restriction on wholesalers and independent retailers.

2. As a result of OPA's restriction, the percentage of 1946 nylon hosiery production available to wholesalers and independent retailers will be even less than the percentage of women's hosiery which they received in 1941.

3. The "wholesaler percentage" limitation ignores legitimate economic changes in the production and distribution of hosiery since 1941.

4. The "wholesaler percentage" limitation will seriously retard the establishment of veterans and war workers as independent retailers.

5. The "wholesaler percentage" restriction will not eliminate "dummy" wholesalers.

6. The price differential between retailers purchasing from manufacturers and those purchasing from wholesalers does not justify the "wholesaler percentage" limitation.

7. There is no analogy between the limitation on the sale of "branded" hosiery and the "wholesaler percentage."

8. The "wholesaler percentage" limitation is invalid because it violates the Emergency Price Control Act.

Each of these subjects will be elaborated upon in this memorandum.

1. *The "wholesaler percentage" limitation is a one-sided discriminatory restriction on wholesalers and independent retailers*

In its statement of considerations, the OPA asserts that the "wholesaler percentage" clause is intended to restore the "normal pattern of distribution." As we shall hereinafter emphasize, we question the power of OPA to interfere with distributive practices, but even if it had the power, the "wholesaler percentage" limitation does not restore the normal pattern of distribution, but limits only wholesalers and their customers and does not interfere with the buying powers of all other purchasers.

The "wholesaler percentage" limitation is discriminatory against wholesalers and independent retailers for the following reasons:

(a) While there is a limitation on any increase of sales to wholesalers, there is no provision which prevents a manufacturer from increasing his sales to chain stores and department stores and entirely discontinuing or reducing the amount he sells to wholesalers. While a manufacturer may thus change his distribution from wholesalers to retailers and chain stores, he is not permitted to change his distribution from retailers to wholesalers. This factor is extremely important because a considerable number of manufacturers have changed their distribution from wholesalers to retailers or have established their own or affiliated retail outlets and are also selling directly to consumers.

(b) There is no limitation on increased sales to department stores or other large retailers buying from manufacturers, even though their prices are 15 to 20 cents higher than chain stores. This point is particularly significant because the OPA now asserts that the principal basis for the "wholesaler percentage" clause is the fact that the ceilings of a retailer buying from wholesalers are 5 or 10 cents per pair higher than those of the department stores or other retailers buying from manufacturers.

(c) There is no limitation on the amount which a manufacturer may within his "wholesaler percentage" sell to exporters, foreign buyers or other manufacturers. In other words, a manufacturer may dispose of his entire "wholesaler percentage" for export or to other manufacturers, and thus deprive wholesalers and their customers of even this merchandise.

Any exported nylon hosiery must be deducted from the amount available for sale to wholesalers. Since there will undoubtedly be an increase in export, this factor will operate as an additional hardship upon wholesalers and will aggravate an already unbalanced condition.

Moreover, many manufacturers purchase hosiery from other manufacturers, particularly in the greige. This amount is also deductible from the goods available for wholesalers, and any increase therein also adversely affects the wholesaler's available supply.

2. *As a result of the OPA's restriction, the percentage of 1946 nylon hosiery production available to wholesalers and independent retailers will be even less than the percentage of women's hosiery which they received in 1941*

An analysis of the actual operation of the "wholesaler percentage" limitation in 1946 will conclusively demonstrate that this restriction will not restore the normal pattern of distribution, but, on the contrary, will distort it to the decided disadvantage of the wholesalers and the independent retailers. The operation of this clause in 1946 will permit wholesalers and retailers to purchase a much smaller percentage of production than they received in 1941.

Under the "wholesaler percentage" limitation, a manufacturer may under no circumstances increase the percentage of sales to wholesalers or other nonretail sellers in excess of the percentage which he sold to such customers in 1941. On the other hand, since 1941 a considerable number of manufacturers have reduced the amount of their production which they sell to wholesalers. Those wholesalers who were purchasing their products from these latter manufacturers will not be able to restore their lost sources of supply by purchasing from other manufacturers because they are not permitted to increase the percentage of their production which they may sell to wholesalers.

In other words it is impossible for wholesalers to balance off the loss of the production of some manufacturers against gains from other manufacturers; they can only take the losses in which they cannot recoup by making gains from new sources.

The following factors will cause this substantial loss of merchandise to wholesalers and independent retailers:

(a) Since 1941 a considerable number of manufacturers have ceased selling, or substantially reduced their sales, to wholesalers and have either sold directly

to chain stores and department stores or have opened their own subsidiary retail stores. Other manufacturers have either completely eliminated or sharply reduced their sales to old established wholesalers and have shifted their distribution to other wholesalers. The names of some of these manufacturers are in the files of the OPA.

(b) It is universally anticipated that there will be a substantial increase in sales for export. The amount of this increase will have to be deducted from the amount available to wholesalers and independent retailers.

(c) In 1941 and for years prior thereto, many small manufacturers were dependent on wholesalers for commission knitting operations. These manufacturers, without sufficient credit or financial standing, manufactured hosiery from yarn furnished by wholesalers. However, since 1942, commission knitting is considered a manufacturing operation under the rayon and nylon regulations, and has been discontinued by wholesalers. Moreover, since 1942 these operations have also been eliminated because the smaller manufacturers have attained sufficient financial standing to permit them to purchase yarn and finish hosiery for their own account.

(d) It is now and has always been considered an important function of wholesalers to act as converters of greige goods which are dyed and finished by independent finishing plants. Since 1942, many mills have discontinued selling greige goods because it is now possible for them to finance their finishing operations, and they are now selling their goods only in the finished state. In addition thereto, chain stores and department stores are now for the first time purchasing and finishing greige goods, even though they previously never undertook such operations. Since they do not now require the help of the wholesalers' converting operations, many manufacturers have thus ceased selling or sharply reduced their sales to wholesalers.

3. The "wholesaler percentage" limitation ignores legitimate economic changes in the production and distribution of hosiery since 1941

The wholesaler limitation clause is based on the unfounded assumption that since 1941 the hosiery industry has stood still and has made no legitimate changes or modifications in its production or distribution methods. Moreover, it assumes, fallaciously, that there has been no change in the relative quantities of women's full-length hosiery produced from the different yarns of nylon, silk, and cotton.

Recognized and established manufacturers who have not fostered "dummy" wholesalers, have in their honest opinion deemed it to be the better marketing method to increase their distribution through wholesalers and independent retailers. In many cases this distribution represents a change in their distribution since 1941.

It is difficult for us to conceive on what basis the OPA may assert to these manufacturers and to their wholesale customers that this change in distribution is not permitted under the Emergency Price Control Act. On the contrary, section 2 (h) of the Emergency Price Control Act expressly prohibits the OPA from interfering with established distributive practices except for the purpose of preventing circumvention or evasion.

By no stretch of the imagination can it be said that the operations of legitimate wholesalers constitute a circumvention or evasion of any regulation. The OPA itself has often reiterated that it considers wholesaling an important factor in our economy, and it therefore cannot charge this entire industry with evasion or circumvention.

There is, therefore, no reason why OPA should attempt to interfere with any changes in distribution which may have taken place since 1941 by legitimate concerns doing a legitimate business.

Moreover, the OPA ignores the fact that there have been substantial changes in the production and distribution of cotton hosiery, although its "wholesaler percentage" is based on the entire production of hosiery of all yarns. The amount of women's cotton full-length hosiery to be manufactured in 1946 will be substantially less than the amount of cotton hosiery manufactured in 1941 due to changes in consumer demand and reduction in the amount of available cotton yarn. Since cotton hosiery was primarily sold to chain stores in 1941, the inclusion of cotton hosiery as a factor in the determination of the "wholesaler percentage" operates unfairly against wholesalers and independent retailers. There is, therefore, no relation between the "wholesaler percentage" of cotton hosiery in 1941 and the sale and distribution of nylon hosiery in 1946.

An example of production changes which have occurred since 1941 is represented by the development of circular-knit hosiery.

In 1941 the vast majority of circular-knit women's full-length hosiery was made in low-needle-count merchandise of a cheaper quality sold primarily by chain stores and mail-order houses. Only a small percentage of this product was then distributed through wholesalers and independent retailers.

Since 1941 improvements have been made in circular-knit machinery and manufacturers who in 1941 produced only low-needle-count circular-knit hosiery, are now producing only high-needle-count fine-grade circular-knit hosiery which was normally not distributed through chain stores in 1941. This latter product has been distributed for the past 2 years primarily and in great quantities through wholesalers and independent retailers. When the wholesaler percentage limitation is applied to this product it clearly creates an inequity both against the manufacturer and the wholesaler and independent retailer. Because of the high percentage of the low-end circular-knit products sold in 1941 by chain stores, the manufacturer of the circular-knit hosiery will be prevented from selling any part of these goods to wholesalers because his "wholesaler percentage" will be based on the sales of the low-end product.

In view of these facts, it is quite clear that if the "wholesaler percentage" is retained, it would mean that OPA is attempting to turn back the clock to 1941 and to disregard all legitimate changes and improvements in the production and distribution of hosiery. We respectfully submit that it was never the intention of Congress to grant such power to the OPA, and, as a matter of fact, such power is denied to the OPA by section 2 (h) of the Emergency Price Control Act.

4. The "wholesaler percentage" limitation will seriously retard the establishment of veterans and war workers as independent retailers

The Department of Commerce has reported that there will be a substantial increase in the number of retail establishments resulting from the desire of returning war veterans and war workers to establish themselves as independent businessmen. A large percentage of them will seek to enter the apparel field in which nylon hosiery plays a paramount part.

These newly established retailers will be primarily dependent upon wholesalers for their supply of merchandise, and will look to them for their supply of nylon hosiery. Under the "wholesaler" limitation clause, there is no possibility of obtaining the necessary amount of nylon hosiery which wholesalers can obtain in order to supply these newly established concerns. On the contrary, and as we have previously demonstrated, the percentage of production available to wholesalers and independent retailers will be substantially reduced.

In view of these facts, the continuation of the "wholesaler percentage" limitation will hamper the establishment of retail shops by veterans and war workers.

5. The "wholesaler percentage" restriction will not eliminate "dummy" wholesalers

The OPA contends that the "wholesaler percentage" restriction on all wholesalers is necessary in order to eliminate the "dummy" wholesalers, referring by the latter phrase to those concerns who desire to sell at wholesale ceilings, but who do not perform proper wholesale functions. These "dummy" wholesalers are in nearly all cases new concerns which sprang up since January 1, 1943, and were organized by agents or favorites of certain manufacturers. The charge of "dummy" wholesaling is not applicable to established wholesalers who represent by far the greatest majority of wholesaling concerns.

We are in entire agreement that these "dummy" wholesalers should be eliminated. It is the legitimate wholesalers and their customers who are suffering most as a result of their operations. However, the "wholesaler percentage" clause will not eliminate these "dummy" wholesalers or even reduce their activities.

The operations of the "dummy" wholesalers will not be affected by the "wholesaler percentage" clause, but will only adversely affect legitimate wholesalers. A manufacturer may shift all his wholesaling sales to the "dummy" wholesaler and still be within his "wholesaler percentage," even though he thereby eliminates all legitimate wholesalers.

Chain stores have apparently complained to OPA that they are compelled to purchase a larger percentage of their hosiery from "dummy" wholesalers. In its statement of considerations, the OPA does not assert that it made any survey on this subject; but apparently relied solely upon the complaint of these chain stores. If the names of these "dummy" wholesalers were given to the OPA by these chain stores, why have they not been prosecuted? Why has the OPA not investigated those manufacturers from whom those chain stores can no longer purchase merchandise, to ascertain whether they are unlawfully using "dummy" wholesalers as a blind for increased ceilings?

When the present nylon hosiery regulation came under consideration, our association urged the formulation of a stricter definition of wholesaler, which would eliminate the "dummy" wholesalers, and this has been done by the OPA. We raised no objection to the licensing procedure which requires all wholesalers to obtain a registration number.

With the new definition and the licensing procedure for wholesalers, it is OPA's responsibility to enforce this regulation by action and not by issuing restrictive clauses against legitimate businesses. If any concern is not complying with the definition of wholesaler, the OPA has power to eliminate it as a wholesaler and to prosecute it in accordance with the law. On the other hand, if a concern qualifies as a wholesaler and obtains a registration number and license from the OPA, it is a legitimate wholesaler, and OPA cannot contend that such a concern is not entitled to purchase nylon hosiery in the regular channels of distribution.

Furthermore, as an additional safeguard against operations of "dummy" wholesalers, our association has suggested to the OPA that it prohibit manufacturers from selling nylon hosiery marked with a "W," unless such wholesaler furnishes to the manufacturer his wholesale registration number.

Even if the OPA has the power to interfere with the right of legitimate merchants to buy and sell in the open market for the purpose of eliminating "dummy" wholesalers, we firmly believe that this clause will not achieve its objective. There is no evidence whatsoever to demonstrate that this clause is necessary. The OPA should first make a determined effort to eliminate "dummy" wholesalers by its licensing procedure and an enforcement program.

There is, therefore, no reason for the restrictive provision against all wholesalers and independent retailers because if OPA properly implements its licensing powers, no "dummy" wholesalers should be in existence.

6. *The price differential between retailing purchasing from manufacturers and those purchasing from wholesalers does not justify the "wholesaler percentage" limitation*

We have been advised by the OPA that it now seeks to justify the "wholesaler percentage" limitation on the ground that it has the right to restrict sales to wholesalers, because the retailers who buy from them sell at column (g) ceiling prices which are 5 or 10 cents higher than the column (f) ceiling prices applicable to retailers who buy from manufacturers. This justification is not asserted in the statement of considerations as the basis for the "wholesaler percentage" limitation.

We desire at the outset to point out that the OPA cannot justify any regulation upon grounds not asserted in the statement of considerations. The Emergency Court of Appeals in the recent case of *Allied Foods v. Bowles* (No. 199, decided Oct. 25, 1945) has ruled as follows:

"The necessary statutory basis, and legal justification for the issuance of a regulation as disclosed by the history of the price control legislation, is the statement of considerations. Without this, no one could intelligently formulate a protest. Without it, there would be no way to provide against ill-considered and irresponsible action on the part of an Administrator; and there would be no medium of exposing the grounds, upon which the price regulations were based, to public scrutiny."

In view of this ruling, we submit that the argument now advanced by the OPA cannot be asserted to justify the "wholesaler percentage" limitation. However, even if it is available to the OPA, we believe that this argument is unsound.

The OPA has itself determined that the column (g) prices are the approved ceilings for retailers buying from wholesalers. Yet, despite this determination the OPA now seeks to restrict legitimate wholesalers and their customers from purchasing nylon hosiery in the open market. If this theory is supported, it will act as a serious blow to small business and particularly small retailers, and will give governmental sanction to the growth of large business and monopoly in the distribution fields.

Moreover, we desire to bring to your attention that the OPA in similar regulations has not imposed any such limitation on wholesalers even though they provided for varying levels of retail prices.

In MPR 578 for low-priced garments, and MPR 208 for work clothes, the OPA has established ceiling prices for retailers buying from wholesalers, which are higher than those applicable to retailers buying from manufacturers. Nevertheless, neither of these regulations contain any such restriction as is embodied in the "wholesaler percentage" limitation.

We further submit that the differential between column (f) and column (g) prices is no justification for the "wholesaler percentage" limitation for the following reasons:

(1) Since the OPA has itself determined that column (g) is a proper ceiling for retailers buying from wholesalers, it is difficult to conceive by what right the OPA may restrict the amount which may be sold at these ceilings. If these ceiling prices are proper, then the OPA has no power to limit the amount which may be sold at that price. Certainly, it cannot be said that selling at the ceiling prices determined by OPA can be considered an evasion or circumvention of the regulation.

(2) Although OPA admits that it has no right to interfere with normal and recognized distribution methods, it nevertheless attempts to do so by this "wholesale percentage" limitation.

(3) The reasoning of the OPA is self-contradictory. If the OPA desires to limit the amount at which nylon hosiery may be sold at column (g) prices, it should also have limited the percentage which can be sold to retailers purchasing from manufacturers who sell at column (f) prices, because such retailers' ceilings are 15 or 20 cents higher than those permitted to chain stores under column (e).

(4) There is no element of inflation in the 5-cent or 10-cent differential between the ceilings of the retailer buying from a wholesaler, and the ceilings of the retailer who buys from the manufacturer. According to OPA, the level of prices of MPR 602 carries out the historical pattern existing prior to 1942. Since the historical pattern always permitted the independent retailer who purchased from wholesalers to sell at prices higher than those of the chain stores or department stores, there is no reason why the OPA should now limit the amount so sold. In the prewar period during which this pattern was established, there was never any such limitation.

(5) In any event, there cannot be any claim of inflation by reason of the ceiling prices of column (g) because the prices at which nylon hosiery is sold under MPR 602 are lower than those which existed for similar nylon hosiery in 1941.

7. *There is no analogy between the limitation on the sale of "branded" hosiery and the "wholesaler percentage"*

In its statement of considerations, OPA asserts that the limitation on the sale of "branded" hosiery has worked well and considers it analogous to the "wholesaler percentage" limitation. This argument is wholly unsound. It completely ignores the differences between the method of operations in "branded" hosiery and sales to wholesalers. In the sale of "branded" hosiery, a manufacturer has complete control over his own operations and retains his source of supply. It does not limit the amount of merchandise which he can sell or buy; it only limits the amount of hosiery on which the manufacturer can increase his own ceiling.

In the case of the "wholesaler percentage," however, the restriction prevents the wholesaler from obtaining merchandise. The wholesaler has no control over the production and can only sell that which he buys, and the amount of goods which the wholesaler purchases does not increase the wholesaler's ceiling.

Moreover, it is common knowledge that the production patterns of "branded" hosiery were established by the branded manufacturers themselves. Manufacturers were never in a position to divert their total production to branded lines. Therefore, a well-balanced production set-up included branded as well as non-branded items since the latter could be marketed almost anywhere and branded items had to be distributed through the standard channels which merchandised the particular brand.

Thus, when the OPA froze the sale of "branded" hosiery at the higher ceiling prices at the 1941 levels, it adopted what the manufacturer itself had voluntarily undertaken, namely, a division of its total production between branded and nonbranded lines. This was a normal practice, and having adopted what the industry itself had established, the OPA by mandate established what the industry was always doing. This practice is entirely different. The "wholesaler percentage" of MPR 602 limits as a group all wholesalers, which is completely different from the branded hosiery limitation on each individual manufacturer.

8. *The "wholesaler percentage" limitation is invalid because it violates the Emergency Price Control Act*

Section 2 (h) of the Emergency Price Control Act limits all powers granted to the OPA by the following provision:

The powers granted in this section shall not be used or made to operate to compel changes in the business practices, cost practices or methods, or means or aids to distribution, established in any industry, or changes in established rental practices, unless affirmatively found by the administrator to be necessary to prevent circumvention or evasion of any regulation, order, price, schedule, or requirement under this act.

This section of the basic law expressly provides that no change or modification of established business practices or methods of distribution is permissible unless it is affirmatively found to be necessary to prevent circumvention or evasion. Such a finding must be contained in the statement of considerations issued in connection with the regulation.

An examination of the statement of considerations fails to disclose any finding which alleges that the "wholesaler percentage" clause is necessary for the prevention of circumvention or evasion, nor can any such finding be made.

The OPA states that the purpose of this clause is to restore "the normal pattern of distribution," and "to afford requisite relief to the chains." These purposes do not support any claim of circumvention or evasion. OPA's function is to regulate prices and not to regulate distribution.

Nor can there be a valid claim that this limitation is necessary for the elimination of "dummy" wholesalers. Since Regulation 602 contains a licensing procedure, the OPA has the power, which it should exercise, to exclude all so-called "dummy" wholesalers or other persons who are attempting to operate improperly under the guise of wholesaling.

It must be presumed that any wholesaler who receives a license from OPA complies with the definition of wholesaler contained in the regulation and is, therefore, entitled to charge wholesale ceiling prices. Therefore, under the licensing procedure it cannot possibly occur that any wholesaler should be a "dummy" wholesaler, because otherwise OPA should not have issued a license to him.

Since under the licensing procedure there will therefore be no "dummy" wholesalers, there is no justification for claiming that the "wholesaler percentage" limitation is necessary to exclude a fictional class of concerns who do not and should not exist. If OPA issues licenses to persons who are not qualified as wholesalers, then the fault lies with OPA and it should not be permitted to restrict wholesalers and independent retailers because of its own fault.

We have been advised that responsible officials of the OPA have stated before the Committee on Small Business of the United States Senate that the OPA has no power to control the distribution of cotton and rayon fabrics. Yet it exercises this power in the case of nylon hosiery by the "wholesaler percentage" limitation.

Moreover, section 2 (h) affirmatively prohibits the use of the "wholesaler percentage" clause to restrict the amount of hosiery which can be sold at column (g) prices. The only exception to the prohibition of OPA's power to interfere with distribution is the claim that its exercise is necessary to prevent evasion or circumvention. Certainly, the OPA will not take the position that any retailer who sells at column (g) prices, which it has itself determined to be proper, is thereby evading or circumventing the regulation.

In view of these facts we find it difficult to conceive upon what legal authority the OPA can support the imposition of the "wholesaler percentage" limitation, and we respectfully submit that it is illegal and in violation of the Emergency Price Control Act.

The foregoing facts and arguments are respectfully submitted to the OPA in connection with the present reconsideration of this entire problem.

We are of the firm belief that the "wholesaler percentage" limitation will not achieve any desirable objectives of the OPA, and will only cause serious and irreparable harm to the legitimate business interests of the wholesalers and independent retailers.

We look forward to receiving a favorable reply to our request that section 2 (c) (3) of MPR 602 be revoked.

In closing, we wish to express our appreciation to you and your associates in the OPA for the courtesies extended to us in the discussions and conferences which have been conducted on this important problem.

Very truly yours,

HOSIERY WHOLESALERS NATIONAL ASSOCIATION, INC.,
By LEO GUZIK, *Executive Secretary.*

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 1979

OFFICE OF PRICE ADMINISTRATION,
Washington, D. C., February 28, 1946.

Mr. LEO GUZIK,
*Counsel and Executive Secretary, Hosiery Wholesalers National Association, Inc.,
32 Broadway, New York 4, N. Y.*

DEAR MR. GUZIK: We have given careful consideration to the problem of the "wholesaler percentage" limitation on nylon hosiery in Maximum Price Regulation 602 and all of the arguments presented by your association, both in conferences with representatives of this office and in your memorandum of February 20, 1946, for revocation of this limitation. At our meeting last Thursday you requested an early reply to your memorandum. In accordance with our promise so to do, we herewith present the position of this Office on the subject.

It is our considered opinion that the wholesaler percentage provision in Maximum Price Regulation 602 is an indispensable part of the over-all effort to stabilize the prices of women's nylon hosiery in this critical period of extremely short supply. We believe that this provision is generally fair and equitable. It represents no disturbance of the normal distributive practices of the industry. Its primary purpose is to prevent a diversion of nylon hosiery from the normal channels of distribution where such diversion would result in an increase in the price of hosiery to consumers.

We are not unmindful of the matters referred to in your memorandum; all of the points which you call to our attention therein have been carefully considered by us. We do not feel, however, that revocation of the wholesaler percentage provision to which your objections are directed would be consistent with our primary obligation to stabilize prices and prevent inflation.

We wish to assure you that we are paying close attention to the manner in which the nylon hosiery regulation is working and shall continue to do so in the future. If, contrary to our belief (as indicated by the data in our possession), your fears are realized that the wholesaler percentage limitation will in fact impose an undue hardship upon wholesalers of nylon hosiery generally, we shall be glad to consider necessary modifications.

We wish to express our appreciation for the cooperative spirit in which you have presented your side of this problem to us and regret that in this case we cannot give you the answer you wish.

Very truly yours,

GEOFFREY BAKER,
Deputy Administrator for Price.

THE INSTITUTE OF BOILER AND RADIATOR MANUFACTURERS,
New York 17, N. Y., April 26, 1946.

EXTENSION OF PRICE CONTROL ACT

To the Senate Committee on Banking and Currency:

This statement is presented on behalf of the members of this institute who comprise a large majority of the manufacturers of heating boilers and radiators.

PURPOSE OF STATEMENT

The purpose of this statement is to present the facts pertaining to the need for heating boilers and radiators and the effect which OPA price controls have had in creating a serious shortage.

ESSENTIALITY OF BOILERS AND RADIATORS

Housing units in most parts of the country are not usable unless heating equipment is supplied. Boilers and radiators are an essential part of such equipment.

There are several types of heating equipment which will be installed in the homes to be built under the veterans' emergency housing program. Warm air furnaces, space heaters, floor furnaces, and stoves will all be used. However, unless production of boilers and radiators is maintained and sharply increased, it is inevitable that a large number of homes to be built during 1946 and succeeding years will be uninhabitable because of lack of heat. Boilers and radiators are particularly adaptable to multi-family units—apartments, duplex houses, and semidetached

houses. There will be a large number of such types of units built under the Veterans' Housing Program because such types conserve lumber, brick, and other building materials that are in short supply.

The 1946 target of Mr. W. W. Wyatt, Housing Expediter, calls for 1,200,000 homes, of which 700,000 are supposed to be of the conventional type. The Civilian Production Administration estimates that at least 25 percent of those houses will require boilers and radiators. Two charts are attached which show number of houses required in 1946 and 1947 and the boiler requirements necessary to meet the Housing Expediter's goal for 1946. The latter chart indicates that with current boiler production running at the rate of 100,000 boilers per year, an additional 180,000 boilers are needed this year to take care of the veterans' program, plus necessary replacements in existing structures.

The chart entitled "Radiation Production and Shortages" shows that present production of radiators needs to be quadrupled to meet conservative estimates for 1946.

CAUSES OF SHORTAGE

Briefly stated, production of heating boilers is 50 percent below prewar normal and production of radiators is 75 percent below normal because OPA has not provided ceiling prices which permit manufacturers to regain even their cost of production, with no allowance for overhead nor profit.

Present ceiling prices on boilers provide an average realization to the manufacturers of 8.4 cents per pound.

Present costs, as filed with OPA by a majority of the manufacturers, average 9.62 cents per pound. If a 6 percent net profit were added, the ceiling price should be 10.58 cents per pound, or an increase of 26 percent over present ceilings.

On radiators, OPA provided new ceilings on March 23, 1946, which will yield a net realization averaging 36¼ cents per square foot. Present costs, plus a 6 percent net profit, total 44.6 cents per foot.

All of this means that:

- (a) each shipment contributes a loss to the manufacturer;
- (b) each shipment robs the manufacturer of part of his working capital;
- (c) manufacturers cannot afford to increase volume of these essential products.

CONCLUSIONS

Abandonment of price controls for this industry will lead to full production within a reasonable time. Of course, somewhat higher prices would ensue. However, it is my belief that the extent to which prices would be increased would be limited to actual costs plus a very limited profit. This has always been a relatively low-profit industry. The forces of competition both within and without the industry will restrain inflationary prices. Steam and hot water heating systems cannot be sold at price levels which are not reasonably competitive with other types of heating systems.

The situation in which this industry finds itself, as briefly described above, will continue to have a very serious effect on the all-important program of providing adequate housing under livable conditions. We do not contend that had there been no price controls since the termination of the war, the industry would have been able to get back to their prewar volume. However, the curve of production, without question, would be tending sharply upward if the members of the industry could anticipate rewards in profits for initiative, efficiency, and progressiveness.

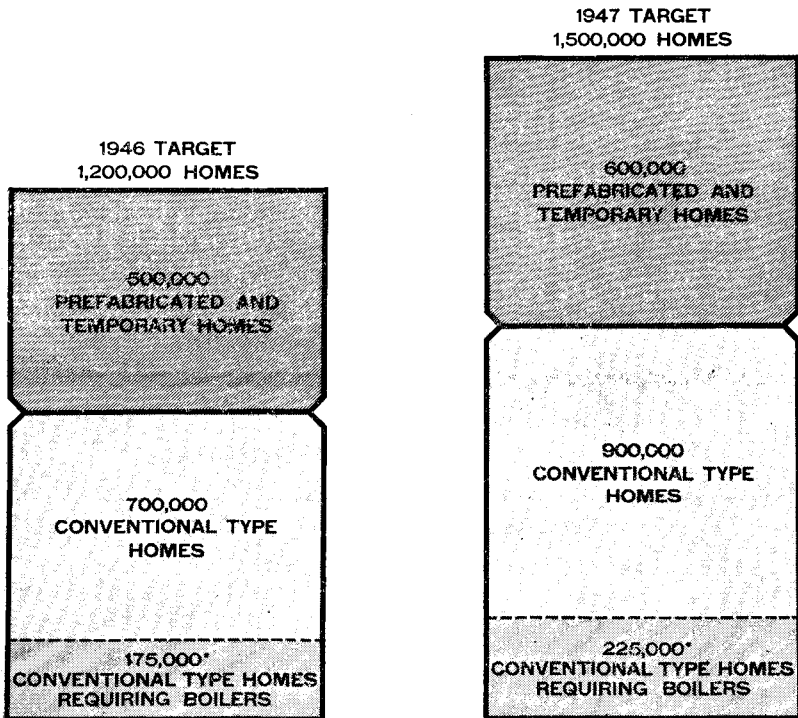
We believe that the restrictions now hampering industry have been tried long enough and that this industry should be given an opportunity to return to a free competitive market and thus assure maximum possible production. We believe that maximum production is the answer to controlling inflation.

Respectfully submitted.

THE INSTITUTE OF BOILER AND RADIATOR MANUFACTURERS,
R. E. FERRY, *General Manager*.

NUMBER OF HOUSES REQUIRED

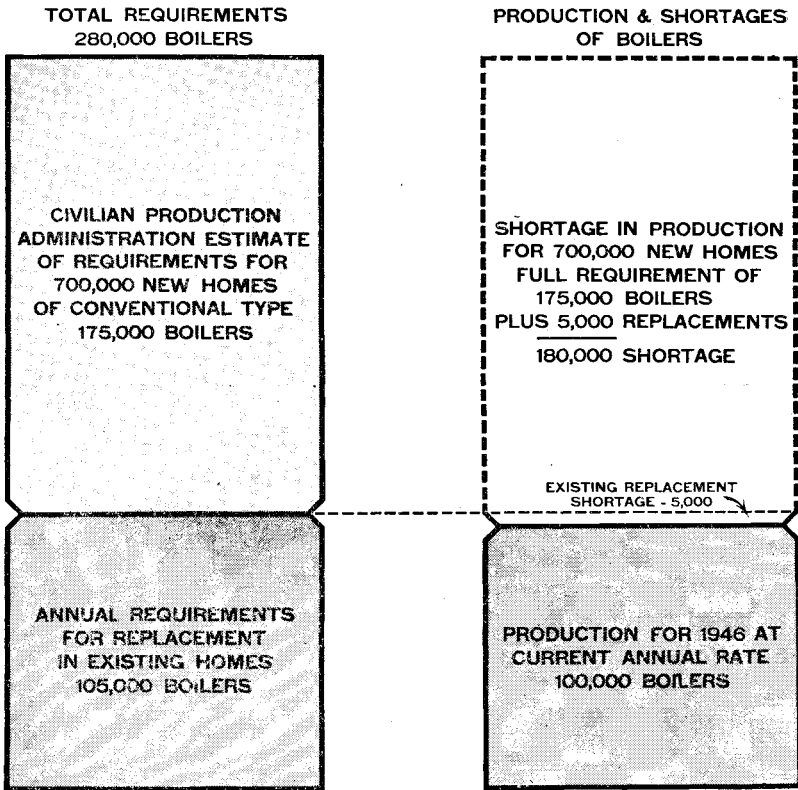
The report of Wilson W. Wyatt, Housing Expediter, to the President, dated Feb. 7, 1946, states that 2,700,000 homes must be started before the end of 1947.



* Estimated by the Civilian Production Administration as 25% of the total.

The Wheeler Chart Co., N. Y.

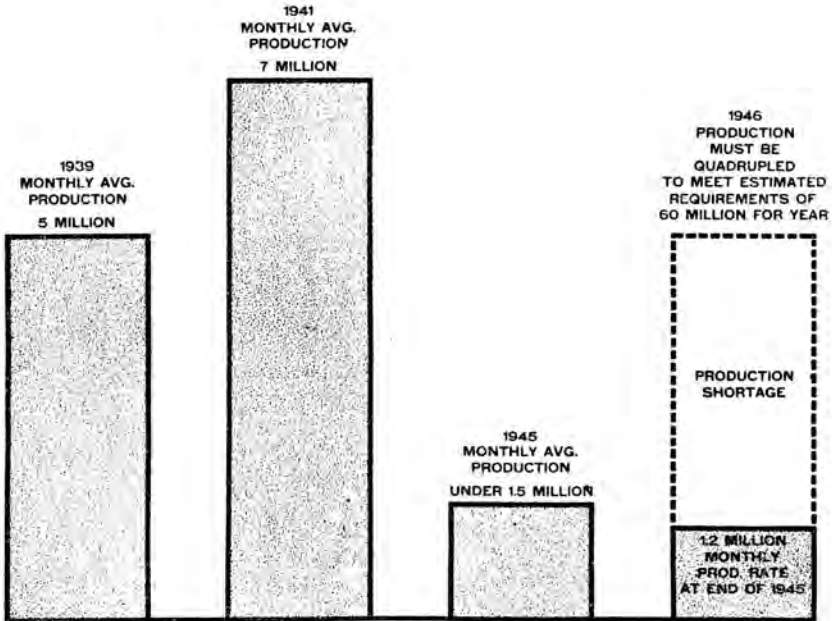
1946 BOILER REQUIREMENTS PRODUCTION AND SHORTAGES



RADIATION PRODUCTION AND SHORTAGES

(MILLIONS OF SQUARE FEET - MONTHLY AVERAGES)

Source: - Monthly Report of John D. Small, CPA Administrator, dated January 28, 1946.



Statement by CPA Admin. "The major limiting factors in the production of cast iron radiation are shortages of labor and unprofitability -

LAW OFFICES OF BLAKE, ANSELMO,
Boston 8, Mass., April 19, 1946.

SENATE BANKING AND CURRENCY COMMITTEE,
Washington, D. C.
 (Attention of Hon. Robert F. Wagner, chairman.)

GENTLEMEN: This letter is written to you with the request that it be introduced into the records of the present committee hearings on the extension of Price Control and Stabilization Acts of 1942.

I have spent approximately 10 days appearing before and conferring with officials of the higher levels of the Office of Price Administration, both in Boston and in Washington, preliminary to filing a petition for amendment of the MAP regulation in accordance with Rev. PR 1. I followed this procedure in order to determine beforehand whether or not a solution could be offered which would receive the nod of approval of the OPA when filed in petition form, and thus save a lot of valuable time. The subject matter of my petition was meritorious; it showed that MAP could work, and relief be accorded to distressed companies. If the lacking flexibility were given to the order, suggested solutions for such flexibility were spelled out, but—after working through the “levels” (as Mr. Pray who testified on the 17th and 18th of April before you aptly termed the journeys) for 10 solid days, I ended up with the same result—“Mr. Blake, your petition has much merit, but no can do. So sorry!” Nor was any counter solution or proposition in turn offered which would afford the company I represent any relief, nor the industry of which it is a member, though other members of the industry had come to Washington in groups seeking relief.

On page 12, line 13 of H. R. 6042 are to be found the words of the lower House repealing MAP in toto, after extensive hearings before their Committee on Banking and Currency.

With MAP on its way to repeal, why this letter? Because, a very important point has been overlooked and must be filled in in order to assure complete relief, if the Senate follows the expression of the House.

The MAP regulation or order limited sales by having the manufacturer figure his MAP according to instructions contained in section 3 of SO-108. Any industry operating under MAP has over its head what is known as surcharges. They are fictional. If a manufacturer cannot maintain his MAP balance because of the fundamental reason of unavailability of low-priced fabrics he incurs a surcharge which he is unable, because of unavailability, to make up under the given rules. And under present MAP administration there is no way to give him surcease from surcharges.

Result: To use the OPA expression, “They’re in the bucket,” and therefore subject to prosecution—and that does not mean monetary damages—it means closing down shop, and more important, without any opportunity of being heard.

These surcharges will remain outstanding after repeal under the House version and continue to subject companies to prosecution by OPA unless Senate legislation is inserted under section 9 (p) referred to, eliminating accumulated fictional surcharges hanging over the heads of companies as of June 30, 1946.

I submit a draft of a necessary addition to H. R. 6042, section 9 (p) so that, as amended, it will read:

“(p) i. After July 1, 1946, no maximum price regulation or order shall be issued or continued in effect requiring any seller to limit his sales by any weighted average price limitation based on his previous sales.

“(p) ii. That any accumulated surcharges incurred as of June 30, 1946, under any maximum price regulation or order shall be waived, and shall not be the subject of enforcement proceedings.”

* * * * *

In the event that the Senate Committee on Banking and Currency does not go along with the House recommendations on the repeal of MAP, I submit:

MAP COULD WORK

Section 3 of SO-108 (MAP) demands that the ordinary businessman compute a “weighted average” thus: “you find your weighted average price for each category by dividing the net dollar amount charged for the items you delivered during the base period for that category by the number of units you deliver.”

THE RESULT

First, you have a simple average.

Second, you have a confusion of simple and weighted arithmetic average.

This lack of flexibility could have been corrected in the interim had the administrative officials in their arrogance not persisted in being cemented down by their own hard and fast rules, right or wrong, fair or unfair.

There are tried and tested methods of computing "weighted averages." The illustration given in the order is not one. An outstanding authority on statistics and statistical methods, Secrist, states on page 279 (2) of Introduction to Statistical Methods: "Do not confuse simple and arithmetical averages. An arithmetic average computed from series in which the frequencies are greater than unity is not necessarily weighted."

Using Secrist's theories, you could reach a weighted average as follows:

1. Calculate your simple arithmetic average as set forth above.
2. Obtain the percentage of low end fabrics consumed during your base period of the total fabric consumption—that's your "weight."
3. Divide item 1 by item 2—that's your "weighted average."

For the purposes of calculating surcharges, any individual company's weighted average would be adjusted on a quarterly basis by dividing the weighted average by an OPA index. The OPA index is the percentage of low end fabrics that are available to the industry for a given quarter. This factor is easy to obtain. It is now used by CPA.

Thus, instead of an inflexible average, we would have one which would reflect the availability of low end fabrics.

To those companies who were attempting in good faith to carry out the provisions of MAP, surcharges could be controlled. Those who deliberately shift production to higher price lines would create uncontrollable surcharges which would require explaining to rebut the explanation of availability versus deliberate shifting.

Which brings you to the conclusion that where there are two methods of attaining a result, and one of which is more just and less onerous in operation than the other, the deliberate insistence of not amending when files are bursting with complaints, shows that the Administrator's statements that (1) he does not want to close down factories, (2) throw more people out of work, (3) speed up production, (4) get more low-priced apparel on the market is pure double talk.

As MAP now stands, it is not only unconstitutional because the Office of Price Administration has issued an order which is beyond its scope of authority, but also because it forces industry to rely on its own interpretation of a weighted average.

These are some reasons why MAP is a target for the scoring of bull's-eyes.

Respectfully submitted.

DANA P. BLAKE.

STATEMENT OF LESLIE S. PERRY, REPRESENTING THE NATIONAL ASSOCIATION FOR THE ADVANCEMENT OF COLORED PEOPLE BEFORE THE SENATE BANKING AND CURRENCY COMMITTEE IN SUPPORT OF THE EXTENTION OF THE PRICE CONTROL ACT, MAY 7, 1946

On behalf of the National Association for the Advancement of Colored People, I wish to urge your committee, and the Senate, to extend the Price Control Act for at least another year.

The entire country is shocked by the attempt of the House of Representatives to cripple this important legislation. The bill passed by the House is more aptly described as an inflation bill rather than one to achieve control of prices. If the House action is permitted to stand, the Congress will have succeeded in forging a weapon against democracy as dangerous as any that could have been conceived in the laboratories of our former axis enemies. The increase in living cost which would inevitably flow from the House bill, would, with deadly certainty, bring in their wake an epidemic of labor strikes worse than any we have yet seen. Increases in cost of living must bring wage increases and further price increases in endless and vicious procession—each feeding upon itself—until every vestige of economic and moral stability in this country is destroyed.

The Negro has a special interest in this legislation because he knows that when inflation sets in the low income group is always the first to be caught in the vise of constantly spiraling prices and frozen wages. While it is true that with the protection afforded by the President's Committee on Fair Employment Practice the Negro made modest employment gains during the war, there is ever-mounting evidence that he is again being forced back into low-paid, unskilled, insecure jobs solely because of discriminatory racial employment practices. The Congress refused to appropriate funds to continue the Fair Employment Practice Committee beyond May 4, 1946, and having failed to enact legislation for a permanent FEPC, it is only reasonable to assume that this downward employment trend for Negroes will continue. In these circumstances, the failure of the Congress to enact a strong price control law is a signal injustice to American Negroes.

The National Association for the Advancement of Colored People, therefore, specifically urges the Senate to reject the following phases of the House passed bill:

1. The 9 months limitation on price control. It is our belief that you cannot arbitrarily set a time limit for the abatement of inflation pressures. The time to lift any control can never be arbitrarily determined—only facts of supply and demand can say when any particular control shall be lifted.

2. The Gossett amendment requiring the decontrol of any commodity whose production for 12 months has been at the 1940-41 level. Actually this would mean the elimination of controls on most food, wool, and rayon fabrics, shoes, housefurnishings, tires, cigarettes, basic industrial materials, women's clothing, petroleum products, and coal. There would be little left to "control." We are against this amendment also.

3. The Wolcott amendment requiring that ceiling prices reflect current costs plus a reasonable profit on each product. This would amount to an immediate increase in prices on such items as had previously been priced on the cost absorption basis and would cause an upward spiral in the price structure that would wreck the entire program.

4. The Flannagan and Wolcott amendments removing meat subsidies immediately, reducing others and eliminating all by January 1, 1947. Again, we cannot see how the removal of subsidies can be handled on an arbitrary basis. We feel this is a situation which must be dealt with gradually, eliminating subsidies on specific commodities at such time as they become no longer necessary.

5. The amendment eliminating the maximum average price regulation. Elimination of the MAP would virtually cause low-priced clothing to disappear from the shelves since producers will concentrate on higher priced garments where the margin of profit is higher.

LANDEN PUTTY WORKS,
Malden, Mass., April 23, 1946.

Mr. DAVID DELMAN,
Clerk, United States Senate,
Committee on Banking and Currency, Washington, D. C.

DEAR MR. DELMAN: Thank you for your letter of April 19.

This is just a small business, our sales last year being \$115,000. During the war, we cheerfully complied with all of the numerous Government regulations, and continue to do so. The price line has been sharply held on us, but our costs have skyrocketed despite OPA allegedly holding the line, as is shown by the following statement:

Our labor cost is up 52.09 percent, and we must shortly make another advance to hold our force together.

Linseed oil, forming 25 percent of our purchases, is up 41.35 percent.

Inert pigment is up 14.28 percent; lithopone up 12.50 percent; dry white lead is up 9.68 percent, etc.

OPA, after long deliberation, found that we are entitled to a 15-percent advance, but tied to their order provisions barring such relief to competitors who do not specialize, and indicated that our jobbers, who are lucky if they make 2 to 3 percent net on sales of our products, are to absorb this increase.

Taking action under this order as it reads is the equivalent to quick business suicide. It would immediately destroy good will built up over a period of many years.

We attach copy of our letter April 10 to OPA on this subject, to which we have not even had an acknowledgment.

The Administration speaks of being concerned about the small businessman, but their actions bear down heavily on us little fellows who conscientiously try to do our jobs like good Americans. The time has now come when we must

have businesslike relief if the production of this plant is to continue to be available for our essential civilian economy.

OPA talks a good day's work, but the net result of their efforts has been to discourage us little fellows; to get us into impossible cost situations; and to dry up essential civilian supplies.

f. Half of our force are men out of the armed services; they are dependent on us for their living; and unless OPA either modifies MPR 188, amendment 93 to order A-1 of March 1, so as to remove the objectionable features, or else, preferably, remove controls from our items, these men out of the armed services may find themselves forced to look elsewhere for work.

We cannot do the impossible, nor are we going to ask our loyal jobbers to assume an intolerable burden.

Thanking you for your courtesy, believe the writer to be

Very truly yours,

C. J. LANDEN.

LANDEN PUTTY WORKS,
Malden, Mass., April 10, 1946.

OFFICE OF PRICE ADMINISTRATION,
Washington, D. C.

Putty and caulking compounds and MPR 188, amendment 93 to order A-1, March 1, 1946.

GENTLEMEN: You show production as \$5,000,000 or an annual per capita consumption of under 4 cents. Obviously, such a low consumption rate indicates these materials do not form part of the cost of living, and for reasons shown below, controls thereon should immediately be removed:

1. Manufacturers of these items have no reconversion problems.

2. Ample supplies are available, and if controls are lifted, will continue to be available.

3. OPA, in this order, has determined that price relief up to 15 percent is warranted, but order as written with accompanying opinion effectually bars such relief to—

a. Our competitors whose production is under 90 percent. However, such concerns making full lines invariably have higher direct and indirect burdens, and not specializing, invariably have costs in excess of those of us who do specialize. While relief is available for them under amendment 37 to order A-2 under MPR 188, the results are not definite; application therefor involves need for extensive figuring and paper work; and if insisted upon, undoubtedly will tend to cause some of these producers, whose production is important to our national economy, to discontinue production of these items, as has been done by others similarly situated in the past few years.

Order as written tends to strangle production of these concerns, cause them to lose interest in these products, and thus throw additional demands on those of us who make nothing else, most of whom do not want more business at present unprofitable price levels.

b. If we, who are eligible, do advance, our customers will be unduly penalized as compared with their competitors, who may be buying from producers whose business is below 90 percent and who do not apply for relief, thus antagonizing our trade and tending to destroy our goodwill.

4. Putty forms no part of the cost of living, as is shown by your figures that total production is only \$5,000,000, or an annual consumption of under 4 cents per capita.

5. In opinion accompanying order, you express it as your belief that jobbers can absorb this increase.

Inasmuch as the jobbers' gross profit on resale of these items only averages 20 percent with a net profit of 2 to 3 percent, obviously such increase cannot be absorbed by the jobber whose business forms an important part of the volume of many of us.

6. In New York Journal of Commerce of September 21, 1945, the statement was credited to an "authoritative" source that OPA planned to remove controls on products such as these in the spring of 1946, which is why we have not heretofore taken the matter up with you.

7. Because of competitive conditions existing in the production and sale of these materials, there will be no excessive price advances.

1988 EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942

Speaking for ourselves, if controls are removed, we will not advance our prices in excess of the 15 percent authorized by the present order; and, unless there are sharp advances in linseed oil, shall maintain such levels unchanged until new conditions warrant further changes.

Having shown above that there is no reconversion problem; that supplies are ample; that the annual consumption is under 4 cents per capita; and that putty forms no part of the cost of living; we respectfully reiterate our request that you immediately remove all controls from these items, as only by doing so can you insure adequate supplies of putty for the veterans' housing program.

We await your acknowledgment, and following that, your prompt and favorable decision.

Very truly yours,

LANDEN PUTTY WORKS,
C. J. LANDEN, *Owner*.

APPENDIX II

Following are statements submitted by chairmen of OPA industry advisory committees, in response to the invitation of the Committee on Banking and Currency, United States Senate. The statements are listed in alphabetical order by industry.

ALCOHOLIC BEVERAGE IMPORTERS INDUSTRY ADVISORY
COMMITTEE FOR OFFICE OF PRICE ADMINISTRATION,
New York 16, N. Y., May 8, 1946.

Senator ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Washington, D. C.

SIR: In reply to your telegram of May 4, the Advisory Committee for OPA, of which I have the honor of being the chairman, is concerned only with imported alcoholic beverages.

At the present time price control has been suspended on all such beverages with the exception of imported whiskeys. We believe that the price control should be maintained on the imported whiskeys because of their scarcity and that no further price control is needed on other imported alcoholic beverages which are in ample supply. I am not in a position to advise you with respect to other items on which the OPA maintains price control. The experience of my group with OPA has been satisfactory.

Respectfully,

ALCOHOLIC BEVERAGE IMPORTERS INDUSTRY
ADVISORY COMMITTEE FOR OPA.
RICHARD BLUM, *Chairman.*

THE DENVER ALFALFA MILLING & PRODUCTS CO.,
St. Louis, Mo., May 8, 1946

HON. ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee, Washington, D. C.

DEAR SIR: Your telegram of May 3, addressed to me as chairman of the Alfalfa Hay Products Industry Advisory Committee has been received.

It is my opinion that the majority of the members of our industry are willing and, in fact, prefer to have the price regulation remain in effect as far as our particular commodity (alfalfa meal) is concerned.

However, the general grain and feed trade believe that the time has come to remove ceilings on corn, oats, wheat, and other grains. If the removal of these ceilings on these particular farm crops necessitates also the removal of the ceiling on alfalfa meal, I believe our industry would be willing to have the ceiling regulation canceled. The general grain and feed trade is seriously handicapped at the present time by the failure of the enforcement of the ceiling regulation on grain. With a free open market, there may be a temporary advance but it is the general feeling that excessively high prices will not prevail for any length of time. It is the opinion of the grain trade that prices will adjust themselves and reach a reasonable level in the near future, providing the ceiling regulations are removed.

Yours very truly,

R. E. NYE,
Chairman, Alfalfa Hay Products Industry Advisory Committee.

1989

MEDINA, OHIO, *May 7, 1946.*

ROBERT F. WAGNER,

Chairman, Senate Banking and Currency Committee.

Re tel third, price control covering aluminum and magnesium castings was suspended last August. Prices of commercial castings are now materially lower than during war period mainly due to competition. Believe suspension should be made permanent since it has been conclusively demonstrated that competition is an effective price control for this industry.

L. E. DE GROAT,

Chairman, Aluminum and Magnesium Castings Industry Advisory Committee

THE PHILADELPHIA & READING COAL & IRON CO.,
Philadelphia 5, May 4, 1946.

Senator ROBERT F. WAGNER,

*Chairman, Senate Banking and Currency Committee,**Senate Office Building, Washington, D. C.*

DEAR SIR: In response to your telegram of May 3, I do not wish to make any statement relative to pending legislation which would extend price control.

Very truly yours,

R. E. TAGGART,

Chairman, Anthracite Industry Advisory Committee.

APPALACHIAN HARDWOOD INDUSTRY ADVISORY COMMITTEE,
Cincinnati 2, Ohio, May 7, 1946.

HON. ROBERT F. WAGNER,

*Chairman, Senate Banking and Currency Committee,**Senate Office Building, Washington, D. C.*

MY DEAR SENATOR: In response to the invitation extended in your telegram of May 4, there is attached a statement embodying points which I believe should be given serious consideration in drafting an extension of the Price Control Act. These observations are written from the standpoint of an important group of hardwood manufacturers whose experience under OPA pricing policy has been far from happy. In their behalf, may I urge action to relieve the situation?

Thanking you for your interest and for the opportunity to submit our statement, I am, with best wishes

Yours very truly,

E. M. BONNER,

*Chairman, Appalachian Hardwood Industry
Advisory Committee.*

This statement is submitted by E. M. Bonner, Cincinnati, Ohio, chairman of the Appalachian Hardwood Industry Advisory Committee, representing producers of hardwood lumber subject to MPR-146 in West Virginia, western Maryland, western Virginia, eastern Kentucky, east Tennessee, western North Carolina, northern Georgia, and northwestern South Carolina. This is known as the Appalachian territory, the second largest hardwood producing region in the country.

We strongly oppose extension of the Price Control Act in its present form. If extension of the act is absolutely necessary, we urge that it be amended to furnish lumber manufacturers prompt relief from the hardships resulting from maladministration of the law in the past and to provide effective safeguards against recurrence of such hardships.

Appalachian hardwood lumber was placed under ceiling prices on June 1, 1942, on which date Maximum Price Regulation No. 146, providing for a roll-back to late 1941 levels, became effective. During the third quarter of 1942, the first period subject to price control, the larger Appalachian mills reported the production of 94,606,000 board feet of hardwood lumber; during the final quarter of 1945, the same group of mills reported production amounting to 43,946,000 board feet. This indicates that on the basis of known performance, Appalachian hardwood production decreased 53.6 percent during 3½ years of price control. Significantly enough, the downward trend did not cease with the end of the war, but continued throughout the final quarter of 1945.

The terrific decrease in production is not the only development in the Appalachian hardwood territory to show that the OPA pricing policy is unsound in conception and ruinous in execution. There also has been in this region an alarming decrease in production facilities since price control was imposed. The curtailment of production facilities began early in 1943, within 8 months after a ceiling was placed on prices, when mills, caught in a growing squeeze between fixed realizations and rising costs, began to suspend rather than continue operations in the face of ever-mounting losses. Since February 1, 1943, 17 units representing 20 percent of the Appalachian bandmill capacity, have been taken out of production. Some of those mills at the time of suspension had timber enough to operate 10 to 15 years, so it cannot be said they quit because of exhausted stumpage. The closing of those mills represents a serious economic loss to the territory and means also an appreciable reduction in the supply of hardwood lumber, now so critically needed.

The OPA stipulation that only 75 percent of the production is to be maintained at a break-even or better basis forces the mills representing the remaining 25 percent to travel the road to bankruptcy. Price relief is withheld until more than 25 percent of an industry is operating at a loss. When relief is granted, it is designed merely to reduce the volume of unprofitable production to 25 percent. Mills who find themselves near the bottom of the loss column have practically no hope of ever operating at a profit. As they become discouraged and quit, the subtraction of their output causes the 25 percent breakline to rise to bring other producers into the zone which OPA decrees must be permanently unprofitable. If continued long enough in the face of rising costs, this phase of the OPA pricing policy will mean the virtual extinction of any lumber-producing group.

Insistence by the Office of Price Administration that profits earned from multi-line operations should be treated as profits on the manufacture of rough air-dried lumber is working widespread hardship, not only on the firms directly involved but on every firm in the regional group. If a firm loses money in the manufacture of lumber and then through fabrication, or perhaps activities not related to a sawmill, manages to earn a profit that exceeds the loss on the primary operation, it usually is regarded as not being entitled to relief, on the specious grounds of a satisfactory over-all profit position. Such firms are required to convert irreplaceable stumpage at a loss to obtain raw material for their fabrication departments, which are compelled to carry the burden of an unprofitable sawmill.

The OPA requirement that, for the purpose of price determination, stumpage be considered at book value rather than fair market value is operating to the detriment of Appalachian hardwood producers. Numerous Appalachian firms own stumpage acquired many years ago, which has been carried on the owners' books at the March 1, 1913, value. Current stumpage market values have been established by sales of Government timber from national forests at prices far in excess of the book values just mentioned. For income-tax purposes, Federal law permits the pricing of stumpage at fair market value. For purpose of price determination, OPA requires that stumpage be priced at actual cost. Consequently, mills foresighted enough to have acquired stumpage years ago are compelled to liquidate their holdings at perhaps one-third the actual value.

By denying hardwood wholesalers compensation for their services, OPA disrupted an essential distribution system and made orderly procurement impossible. Distribution through wholesale dealers has been efficient, equitable, and economical, as the established and extremely reasonable discount of 8 percent will indicate. Likewise, there has been no expense attached to lumber procurement, for buyers could obtain through the medium of one wholesaler stocks that in volume and variety exceeded the output of any single producer.

Through inadequate ceiling prices, OPA has made it impossible, as a general rule, for mills to retain their wholesale connections. As a result, buyers who normally refer their needs to wholesalers have been compelled to maintain an intensive canvass of mills, and if lumber is obtained through this method, the procurement cost frequently represents 20 percent of the ceiling price. This cost of procurement naturally must be reflected in the cost of homes of products made of wood.

Recognizing the need for the services of wholesale distributors, the manufacturers of Appalachian hardwood lumber at a meeting in Cincinnati, January 18, 1946, adopted the following resolution requesting OPA to grant a mark-up over ceiling prices:

"Be it resolved, That we, the members of the Appalachian Hardwood Manufacturers, Inc., in annual meeting assembled, do hereby declare ourselves in favor of an average plan whereby the discounts and commissions usually allowed wholesalers and commission salesmen may be added to f. o. b. mill ceiling prices as

contemplated in the petition filed with the Office of Price Administration by the National-American Wholesale Lumber Association.

"Be it further resolved, That a copy of this resolution be forwarded to the Office of Price Administration, and to other interested officials, as formal expression of our attitude and as a request that Maximum Price Regulation 146 be amended to permit a mark-up of 8 percent applicable to sales through wholesalers and 5 percent on sales through commission salesmen."

The phase of the OPA lumber price-control procedure that has imposed hardship on the greatest number of Appalachian firms unquestionably is the delay in completing cost studies and acting on petitions for relief. A case in point is the experience of the Appalachian Hardwood Industry Advisory Committee which on April 11, 1946, obtained action on a petition filed with the Lumber Branch, April 26, 1944. After that petition had been filed, the committee with OPA approval obtained from a representative group of mills cost reports covering the latter half of 1943 and the first 4 months of 1944. These reports were submitted for processing on June 22, 1944. The next 6 months were devoted to attempts to secure supplemental information which OPA deemed necessary to establish the position of mills, and it was not until February 8, 1945, that the committee was granted a hearing. At that hearing, it was ruled that relief could not be granted because only 24 percent of the production was unprofitable. Furthermore, the committee was informed that henceforth it would not be permitted to collect and process lumber cost data. Withdrawal of that privilege has made it impossible for the committee to function effectively, as it is denied access to information that is absolutely necessary for the proper discharge of its duties.

Thereupon OPA agreed to make another cost study to embrace the year 1944. Out of deference to the critical position of a large segment of the Appalachian hardwood industry, they further agreed to make an effort to complete the study within 60 days. To expedite the study it also was agreed that OPA accountants would be available to mills in need of assistance in the preparation of their reports. The study was not completed until February of this year, more than 12 months after OPA agreed to make it. Two months additional passed before results of the study were implemented by a price amendment.

As a result of this delay, manufacturers of Appalachian hardwoods were compelled until April 11 of this year to market their lumber at prices based on costs prevailing in the summer of 1943. During the 3 years that passed without price relief, every element of production costs showed a heavy increase, wages alone advancing as much as 25 percent. The mills thus were compelled to absorb an increase in production costs, which, except in the case of the more fortunate producers, long ago rose above the level of realizations. That condition gave the mills an impelling reason for curtailing production, for admittedly financial prudence warranted no other policy in the face of the fact that losses from operations were in direct ratio to the volume of output. Production of Appalachian hardwood lumber has never recovered from that long period of unprofitable operations, nor will it fully recover until prices are permitted to keep abreast with costs.

MASSILLON, OHIO, *May 8, 1946.*

ROBERT F. WAGNER,

*Chairman, Senate Banking and Currency Committee,
Senate Office Building, Washington, D. C.:*

Retel it is my sincere conviction that OPA as presently constituted is badly hampering the full production of goods so much needed by the American public I urge that either OPA be abolished entirely or that the act be amended to insure full production by American industry by allowing manufacturers and dealers a reasonable profit based on 1940 earnings and by eliminating the endless red tape involved in present administration of the act and by removing products from price control as soon as supply of each product equals demand.

MARTIN H. SCHMID,
*Chairman (Armament Steels and Alloys)
Industry Advisory Committee, OPA.*

1940.

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 1993

NIAGARA SPRAYER & CHEMICAL CO., INC.,
Middleport, N. Y., May 8, 1946.

HON. ROBERT F. WAGNER,
*Chairman, Senate Banking and Currency Committee,
United States Senate, Washington, D. C.*

DEAR SIR: Replying to your wire of May 3, my personal view is that price controls on insecticides and fungicides are unnecessary and should be removed as soon as possible and not later than this summer.

In the case of arsenicals, removal of fixed price is necessary in order to utilize Swedish arsenic which cannot be brought in at the ceiling prices now prevailing for arsenic.

Yours very truly,

J. B. CARRY, *President,*
Arsenicals Insecticide Manufacturers Industry Advisory Committee.

PORTLAND, OREG., *May 7, 1946.*

SENATOR ROBERT F. WAGNER,
*Chairman, Senate Banking and Currency Committee,
Washington, D. C.:*

Have served continuously on Asphalt Roofing Industry Advisory Committee since its inception. When price increase was necessary it was granted after thorough investigation by OPA. Basic reason for low prices in roofing industry was unfair competitive prices originated by the same roofing companies who now complain of price control. OPA did not originate roofing prices but merely froze them at the 1941 level. I am in complete disagreement with National Association of Manufacturers and it is my considered opinion that price control is not only essential to the welfare of the vast majority of our people but would also serve to stabilize the roofing industry.

THOMAS C. YOUNG,
*President, Pacific Roofing Co.,
Chairman (Asphalt and Tarred Roofing Products
for Western Area Industry Advisory Committee).*

BOSTON, MASS., *May 9, 1946*

HON. ROBERT F. WAGNER,
*Senate Banking and Currency Committee,
Senate Office Building, Washington, D. C.:*

Appreciate opportunity to express opinion Industry Advisory Committee regarding extension OPA as result your invitation I sent the following letter to members of my committee:

"Have been asked as chairman of the Industrial Advisory Committee, OPA to furnish brief statement regarding pending legislation to extend price control. Please wire immediately: first, whether you believe price control should be abolished entirely; second, whether it should be extended but modified; third, if it should be extended in its present form. Imperative I receive your reply today."

Majority opinion would seem to indicate extension of OPA but with considerable modification. I quote two statements from different members.

"Favor second alternative retaining control only on critical items such as rent where necessary production cannot soon reestablish competition.

"Re tel. believe price control should be extended but modified to allow reasonable profit so that production can proceed thus curbing inflation further believe main objection to price control is not regulations but complete lack of fair equitable reasonable and sound administration of the act."

Believe these represent cross section of majority opinion. My own opinion is that where industry advisory committees determine that shortages will not exist within 60 days price control should be eliminated.

This would give OPA opportunity to secure best advice of that industry and make decision on facts rather than by employees of OPA who have no knowledge of the industry on which they are fixing prices.

RICHARD S. ROBIE,
*Chairman, Industry Advisory Committee, OPA,
120 Potter Street, Cambridge, Mass.*

SPORLAN VALVE CO., INC.,
St. Louis 17, Mo., May 8, 1946.

HON. ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Senate Office Building, Washington, D. C.

DEAR SIR: Thank you very much for your invitation to express my views on the question of extending price control. From my own personal experience in trying to buy certain articles, and also from our company's experience, it is my observation that low ceiling prices are contributing to the shortage of much-needed materials. No manufacturer can operate at a loss, and, in many cases, manufacturers are being forced to discontinue manufacturing much-needed items because of the low price ceiling. Price control also has the tendency to encourage the sale of available articles and material through black-market channels.

I favor the immediate suspension of price control on all manufactured items because the extension of price control merely contributes to inflation, which it is designed to hold down. The only sure preventative of further inflation is increased production, and this is only obtainable if raw materials and supplies are plentiful.

The effect of removing price control would be for prices to go up slightly for a short period of time, but as soon as full production is reached the law of supply and demand will in itself be a much more effective control over prices than legislative control.

While I have expressed my own personal views, I believe that I can speak for the majority of manufacturers in our industry as those that I have talked to feel exactly the same way about the situation.

Yours very truly,

H. F. SPOEHRER,
Chairman, OPA Automatic Non-Electric Control Manufacturers
Industry Advisory Committee.

Brooklyn, N. Y., May 6, 1946.

Senator ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
United States Senate Building, Washington, D. C.:

Have not personally appraised attitude of baking industry toward extension of price control but am confident that rank and file are in favor of continuance. Opposition within our industry develops from Administration of Price Control and our inability to secure prompt relief in pressing situations and we can furnish examples of three major experiences which took from 6 to 30 months to get relief. Because of new flour regulations all bakers are in serious difficulty again and will appreciate any help your committee can furnish to our application for speedy price relief.

RALPH D. WARD,
Chairman, Baking Industry OPA Advisory Committee.

WILSON & Co.,
Chicago 9, Ill., May 7, 1946.

HON. ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR WAGNER: Acknowledging your wire of May 3, I would like very much to have the following statement included in the transcript of the Senate Banking and Currency Committee hearings concerning pending legislation to extend price control.

As Chairman of the OPA Beef Industry Advisory Committee it has been my privilege to work with OPA on a good many matters concerning the cattle and beef industry in an endeavor to make the regulations effective for this industry. It is now my carefully considered opinion that effective enforcement of OPA regulations has broken down, and that the widespread violation of these regulations precludes any possibility of making them effective at this time.

I do not feel that the present regulations or any modification of them can correct the situation, and because a chaotic condition now exists in the beef industry that can be considered a national scandal, it is my opinion and recommendation that, with price control no longer effective on cattle and beef, such price control be discontinued immediately so that established channels of slaughter and distribution can return to normal business, and eliminate many of the irresponsible operators now engaged in the slaughter of cattle. Certainly hope your committee will find it desirable to take such action.

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 1995

I believe the situation is best summed up in the attached copy of a recommendation made by the OPA joint advisory committees, representing the advisory committees on cattle, hogs, beef, and pork, at the meeting held in Chicago on Monday, April 15.

Respectfully yours,

R. G. HAYNIE,
Chairman, OPA Beef Industry Advisory Committee.

RECOMMENDATION MADE BY OPA JOINT ADVISORY COMMITTEES REPRESENTING
ADVISORY COMMITTEES ON CATTLE, HOGS, BEEF, AND PORK, AT MEETING IN
CHICAGO APRIL 15, 1946

Whereas price control of livestock and meat has completely broken down and black-market operators have moved in and taken control of a large percentage of the production and distribution of meat, and

Whereas the commercial meat establishments which conducted the meat business prior to OPA have had their business largely taken away by more than 26,000 new slaughterers, many who are black market, and

Whereas the potential supply of meat in the form of livestock on ranches and farms is such that a portion thereof should be liquidated now when consumers are ready, able, and willing to buy meat and products at a price equaling the producers' cost of production, and

Whereas the black market is endangering public health, in that a large percentage of the black-market meat is being produced in plants without adequate, if any, refrigeration or other sanitary requirements, and

Whereas the black market is fixing the price that the consumer pays for meat, and OPA's hold-the-line price is pure fiction, and the cost of price control on meat now exceeds more than \$2,000,000,000 annually in excess of OPA retail ceiling prices, and

Whereas the widespread black market is causing universal disrespect for all law and is undermining the morals of the public, and

Whereas full legitimate production is the only answer to both inflation and the black-market problems. At this late date, an increase in livestock and meat ceilings will not get full legitimate production or eradicate the black market. Also, at this late date improvised regulations, such as proposed today to the advisory committees, are not a remedy nor can additional investigators or more vigorous enforcement bring about compliance with OPA regulations. The black market can only be driven out of business if the legitimate meat packer is permitted to compete with them on even terms: Now, therefore, be it

Resolved, That the OPA industry cattle, hog, beef, and pork advisory committees are unanimously opposed to the proposal that has been submitted to the advisory committees and unanimously recommends that subsidies and price controls be immediately removed from the livestock and meat industry

CHICAGO, ILL., May 10, 1946.

Senator ROBERT F. WAGNER,
Senate Office Building, Washington, D. C.:

On behalf National Beer Wholesaler Association and OPA Advisory Committee wish protest continuance of beer price control which have created black markets have been unenforceable and penalized efficient distributors by rolling back historical margins. Strongly urge you eliminate controls and enable distributors again operate competitively in public interest.

WILLIAM T. MAYBURY,
*President, National Beer Wholesalers Association and
Chairman OPA Beer Wholesaler Advisory Committee.*

CLEVELAND, OHIO, May 8, 1946.

Hon. ROBERT F. WAGNER,
*Chairman, Senate Banking and Currency Committee,
Washington, D. C.:*

We believe it essential that governmental price control be extended in order to insure continuation of necessary scale of production required by present demands of the Nation.

THOMAS COURTNEY,
*Chairman, Bituminous Coal Producers (for District 6)
Industry Advisory Committee.*

1996 EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942

BITUMINOUS COAL PRODUCERS ADVISORY BOARD FOR DISTRICT NO. 7,
Washington 5, D. C., May 6, 1946.

HON. ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee, Washington, D. C.

DEAR SENATOR: Replying to your telegram of the 3d.

I believe a long extension of price control would not be any more effective than the prohibition amendment was. It would work a hardship on the manufacturers and merchants who do adhere to the ceiling prices, as the black market, as time goes on, would be doing the bulk of the business. I am a strong believer in free enterprise and I think when any industry reaches normal production, we should let the natural law of supply and demand operate without restrictions.

Yours very truly,

P. M. SNYDER, *Chairman.*

CHICAGO, ILL., *May 6, 1946.*

Senator ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee.:

My opinion the theory of price control and the OPA Act in particular during emergency, a proper thing for this Nation. The maladministration of current act with administrators conceiving act to authorize profit control instead of basis price control is principal cause of present chaotic condition which demands immediate relief.

R. E. SNOBERGER,
Chairman (Bituminous Producers Advisory Board), District No. 11.

RUSSELL, BURDSALL & WARD BOLT & NUT CO.,
Port Chester, N. Y., May 7, 1946.

HON. ROBERT F. WAGNER,
*Chairman, Senate Banking and Currency Committee,
United States Senate, Washington, D. C.*

DEAR SENATOR WAGNER: Thank you for your telegram offering to include in the transcript of your committee a statement from the OPA Bolt, Nut and Rivet Industry Advisory Committee.

Unfortunately, it was impossible to have a meeting of the committee called for this week. I, personally, feel that the legislation now pending should require OPA to decontrol industries which have a small effect on the cost of living and where supply and demand conditions make it unlikely that substantial price increases would result.

Thank you for your courtesy in this matter.

Respectfully yours,

S. N. COMLY,
Chairman, OPA Bolt, Nut and Rivet Industry Advisory Committee.

RUSSELL, BURDSALL & WARD BOLT & NUT CO.,
Port Chester, N. Y., May 8, 1946.

HON. ROBERT F. WAGNER,
*Chairman, Senate Banking and Currency Committee,
United States Senate, Washington, D. C.*

DEAR SENATOR WAGNER: May I urge that favorable action be taken at the earliest possible moment in regard to the loan to Great Britain.

Thanking you for your consideration, I am

Respectfully yours,

S. N. COMLY.

HI LINE,
New York 18, N. Y., May 7, 1946.

Senator ROBERT F. WAGNER,
Senate Office Building, Washington, D. C.

DEAR SIR: Responsive to your telegram of May 3, to me, as chairman of the Boys' Wash Suit & Juvenile OPA Industry Advisory Committee, I believe that

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 1997

the following opinion with respect to OPA, which I express, expresses not only the opinion of the other members of the IAC, but of the industry, generally, as well.

First: We favor a continuance of OPA with certain modifications, namely:

(a) That OPA's maximum price regulation be eliminated. Manufacturers are unable in 1946 to meet 1943 average selling prices in view of increases in piece goods costs; piece goods are not available in same quantities and at same price levels as in 1943. Were we to continue under the MAP many of our firms would have to shut down.

(b) RMP 287 should be amended to permit the use of current labor costs in calculations under that regulation. It does not seem right that in 1946 we should have to use 1942 wage levels. Manufacturers cannot absorb increases which labor has exacted since 1942.

Second: OPA has granted increases in prices to piece-goods producers; labor has compelled increases in wage rates and our other production overhead costs have increased commensurately. It should not be expected in the light of all these that we should be able to conduct our businesses on a satisfactory basis without some relief.

Very sincerely yours,

C. H. SHELDON,
Chairman, Industry Advisory Committee, OPA.

BRISTOL, CONN., May 6, 1946.

ROBERT F. WAGNER,
*Chairman, Senate Banking and Currency Committee,
Senate Office Building:*

Retel appreciate invitation to provide you with brief statement concerning pending legislation to extend price control. Time is too short to permit full expression of our committee as a whole but thank you for opportunity offered us.

R. E. GAY.

GENERAL FOODS SALES Co., INC.,
New York 17, N. Y., May 7, 1946.

Statement for the record.

HON. ROBERT F. WAGNER,
*Chairman, Banking and Currency Committee,
United States Senate, Washington, D. C.*

MY DEAR SENATOR WAGNER: I have received today your telegram inviting me, as chairman of the Breakfast Cereal Industry OPA Advisory Committee, to submit a brief statement concerning pending legislation to extend price control. I am sorry that because of the requirement that the statement be in your hands by Friday of this week, time will not permit me to consult with my colleagues on the committee; and therefore—while I shall endeavor to the best of my ability to speak for the committee—it must be understood that these views have not been cleared with the other members, and that therefore I am assuming to speak authoritatively only for myself and my own company.

Until the recent acute shortage in grain products developed, it had been the opinion of at least a substantial part—if not all—of the cereal industry that breakfast cereals were in so plentiful supply, in relation to demand, as to fulfill completely the decontrol requirement that "supply and demand be in substantial balance." (As a matter of fact, at no time during the war nor since—until within the past month—has there been any shortage of breakfast cereals. Since 1941 sales of breakfast cereals have increased by between 40 and 50 percent. Both wholesale and retail outlets have been continuously well stocked with all brands of all classes of such cereals. Both raw materials and processing capacity have been available to produce even more—if the public would buy them. Competition among cereal manufacturers has never been more intensive than during the war and postwar period.)

Such a situation, it seems to us, would have completely justified—if it did not indeed require, in all logic, a complete discontinuation of price controls. However, that is probably now somewhat academic, since the acute shortage in grains that has recently developed has lessened the availability of breakfast cereals, and therefore it can no longer be said—as of the present writing—that "supply and demand are in balance."

However, accepting on the basis of the present grain shortage the need for a continuation of price control, there are certain improvements that can and should be made in the application of such controls. The principal criticisms which the cereal industry can justly make, with respect to price control up to this time are these:

1. The industry-wide theory upon which the law has been administered, however appealing in theory, has not worked out in practice. (To be specific: the law requires manufacturers to be permitted prices that are "fair and reasonable"; it has been the OPA's interpretation that prices are fair and reasonable when they permit an entire industry to earn total dollar profits equal to the average of 1936-39. Yet the application of that theory to our own cereal operations has had the effect of converting an average yearly profit before taxes of \$2,000,000 to an actual yearly loss of approximately that same amount.)

2. Under the operation of price control as heretofore conducted, manufacturers have not been permitted to increase their prices to compensate for increased costs. (Again to be specific: The weighted average cost per 100 pounds of our breakfast cereals is currently 57 percent higher than the average for the year 1941—the year before prices were frozen; the weighted average selling price, on the other hand, has increased less than 2 percent above the prices set in December 1941 on the basis of 1941 costs.)

3. Even such price relief as the Office of Price Administration does permit, under its present policies, is not only too little, but also very much too late. It required nearly 9 months—from July 1944 until March 1945—to pass upon one application for price relief on breakfast cereals made by this company. At the present time, another application—made in January of this year—is still pending, with no likelihood of financial action before another 30 days at the very least. And since price relief can in no case be made retroactive, this delay in permitting the relief required by the law itself results in our sustaining losses running into the hundreds of thousands of dollars.

In view of the current shortage of grain products, and the uncertainty as to when that shortage will end, we do not ask for the elimination of price controls at this time. In order, however, that price controls may be eliminated at as early a date as supply and demand will justify; and in order that in the meantime, the hardships and losses that the present slow and cumbersome procedure entails may be alleviated, we submit the following recommendations for your consideration and, if possible, for incorporation in the law extending price control:

1. That whenever supply and demand are in reasonable balance—based on present-day consumer-demands—breakfast cereals should be entirely removed from price-control. (In this connection, there should be included in the law a clearly spelled out definition of what constitutes such "balance" between supply and demand. Since breakfast cereal consumption has increased between 40 and 50 percent since 1941, it is obvious that production equal to 100 percent of 1941 would fall far short of equaling demand. On the other hand, since there is a surplus of productive capacity for processing breakfast cereals, it requires only a return to a condition of an adequate supply of grains, before breakfast cereals will again be in abundant supply. An appropriate definition might be, therefore, something like this: "Whenever the available supply of grains is such that governmental restrictions on the use of such grains for the processing of human food have been terminated.")

2. That cereal manufacturers be allowed by law to price their breakfast cereal products at "the price prevailing in March 1942 plus the actual amount by which current costs exceed the average of comparable costs for the calendar year 1941." The costs upon which the comparisons are to be based should be clearly defined in the law. Specifically, they should include the cost of raw, materials packing materials, processing and packing labor, factory overhead, and the cost of shipping finished goods.

3. That each manufacturer be authorized to fix the ceiling prices for his own products, subject to the following restrictions:

- (a) That he take the full responsibility for fixing such ceilings in full conformity with the formula prescribed by the law;

- (b) That prior to making effective any change in any ceiling price, he file with the Office of Price Administration notice of his intention to make such change, together with a statement of the cost changes upon which the price change is predicated; that immediately upon the filing of such notice, the proposed price change may be made effective; and that the Office of Price Administration shall then be allowed 90 days within which it may check the data upon which the manufacturer relies to justify the price increase;

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 1999

(c) That in the event such check by the Office of Price Administration discloses that the price set by the manufacturer is not justified and in accordance with law, the manufacturer shall (1) be required forthwith to revoke the price increase and to fix his price in accordance with the law and facts as found by the Office of Price Administration, and (2) shall be fined an amount equal to three times the amount of the difference between his lawful price and the price at which he has been selling.

(d) That, in order that price increases shall not reduce the cents per unit profit realized by the wholesaler and/or retailer, the wholesaler shall be permitted to increase his price to retailers by the amount by which his cost price has been increased; and that the retailer, in turn, be permitted to establish a new retail ceiling price which reflects (to the nearest one-half cent) the increase in his cost.

To summarize:

Whether the specific suggestions I have offered are usable or not, the principles upon which they are based are—it seems to me—both sound and susceptible of legislative implementation:

1. Price control should be discontinued, with respect to any class of products, when supply and demand are in substantial balance.

2. The law itself should define the conditions under which balance between supply and demand shall be deemed to have been achieved; in order to lessen the area of uncertainty due to an unrestricted exercise of discretion by an administrative body.

3. Prices should be permitted to rise, above the base period, by the amount by which costs have risen in the same period. It has frequently been restated by those charged with the responsibility of controlling prices that the function of price control is not to regulate profits. Such a disavowal should be written into the law.

4. Price relief should be granted on the basis of individual products and/or individual companies—and not, as at present, on the basis of an entire industry. In that way the more efficient producers would get only such price relief as their costs dictated; and in such case, it may be assumed that the less efficient producers will not dare, in a competitive economy, to fix their prices higher than those of their competitors.

5. Whether the specific formula that I have suggested for determining price relief be adopted or some other, the conditions under which and the formula by which a manufacturer's price ceilings shall be raised, should be clearly defined in the law. Both the OPA and the manufacturer should be told by the Congress the basis on which his prices are to be controlled and changed.

6. And again, irrespective of the specific formula for determining prices, the manufacturer himself should be charged with the responsibility for fixing his own prices in accordance with the formula laid down in the law.

7. When costs have risen and price-relief is needed to prevent a disastrous squeeze, time is of the essence. Then, if ever, it is true that "justice delayed is justice denied". Let the manufacturer accept the responsibility for pricing in conformity with the law; but let him do so at this own risk: the risk of severe penalties for violating the formula. In this way, the public interest can be completely protected—and at the same time undue and irreparable hardship to the manufacturer can be avoided.

I feel sure the adoption of the provisions I have suggested would remove all justifiable criticism, on the part of manufacturers, of the price control of breakfast cereals; it would permit manufacturers to reprice their product in the light of current costs—instead of requiring them to wait months until after the horse has been irrevocably stolen; and at the same time, since each manufacturer would be required—under severe penalty—to assume responsibility for pricing in accordance with the law, the consumer would be adequately protected.

On behalf of my company, and to the extent that I am qualified to speak for my colleagues on the Breakfast Cereals Advisory Committee, I ask for your earnest consideration of the suggestions above contained.

Very respectfully yours,

C. E. ELDRIDGE,
Chairman, OPA (Breakfast Cereal) Advisory Committee.

NEW YORK, N. Y., May 9, 1946.

Senator ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Senate Office Building, Washington, D. C.:

Re your telegram of May 3, believe that price control applying to brewing industry and other essential items in the cost of living should be continued until production approximately meets demands. It is of utmost importance if OPA is continued, that prompt relief by price increases be granted industries to compensate for increased material and labor costs. Control of prices should be such as to allow manufacturer a fair and reasonable profit. The years of 1936 through 1939 are not considered a fair or reasonable period on which to base profits of the brewing industry.

CARL W. BADENHAUSEN,
Chairman, Brewing Industry Advisory Committee, OPA.

LOUISVILLE, Ky., May 8, 1946.

Senator ROBERT F. WAGNER,
Senate Office Building, Washington, D. C.:

Your telegram dated May 3 received by me Saturday just as I was leaving for Kentucky Derby; you probably know what that means to a Kentuckian who has only missed two derbies since 1896. Disregarding above time given for filing brief entirely too short to call meeting of Industry Advisory Committee OPA as members are scattered over wide area therefore cannot give you opinion of committee but personally I feel OPA should be extended to cover vital commodities where there is definite shortage that would cause unusual advance to the population. Information I have would justify my personal statement that OPA should be continued except on commodities such as tobacco where production and consumption have leveled off; of course I know nothing about manufacturers' problems; my statement is based on leaf production for domestic and foreign demands for various types tobacco. Regret exceedingly I cannot as chairman of committee file a brief with you before Friday, May 11.

E. J. O'BRIEN, Jr.,
Chairman (Burley Tobacco) Industry Advisory Committee, OPA.

GLOVERSVILLE, N. Y., May 10, 1946.

HON. ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Washington, D. C.:

As Chairman, Advisory Committee, feel OPA has encouraged the Cabretta Glove leather industry to catch its hand in a 1947 wringer. Prices on foreign-hair sheep have reached dangerous 1929 peaks in spite of ceilings and cannot be rolled back to proper levels at this stage. There has been a premium and reward on dishonesty and those in the leather and glove business who have tried to support OPA have been severely handicapped and penalized. Let us be honest with ourselves and stop subterfuge and blackmarketing by recognizing the truth, that it is impossible to control foreign markets when supply and demand are so far unbalanced. Let honest men conduct honest business and at least be given equal opportunity with impostors in world markets.

B. F. DENNIE,
Chairman (Cabretta, Industry Advisory Committee).

WILLIAMSON CANDY CO.,
Chicago 39, Ill., May 7, 1946.

Senator ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR WAGNER: Responsive to your telegram received May 6, in my capacity as chairman of the Candy Bar Manufacturers Industry Advisory Committee, I am pleased to submit to your committee a brief outlining the views of this industry as set forth and submitted to Mr. Chester Bowles, Administrator, Office of Price Administration under date of August 16, 1944.

I ask that these recommendations and the accompanying statement of the reasons for same be included as part of our statement to the Senate Banking and Currency Committee.

Since issuing these recommendations no new pricing order has been issued, and conditions have rapidly deteriorated. Costs have increased, armed service production practically disappeared, and rations are 25 percent less.

We still believe as we stated in August 1944 that price control should be maintained of both the ingredients and sales prices of this industry, and we further believe that the public interest will be well served by the adoption of the other recommendations.

On April 8, 1946, members of our committee appeared before the OPA Pricing Division in Washington and told them clearly of our industry plight. We received some encouragement that under certain rules of action prompt relief might be granted. We are trying now to obtain the necessary information.

Frankly, if we do not do so many long established small businesses will be forced into protracted losses accentuated to an ever-increasing degree as more and more increases are granted in our raw materials and our wage rates.

We were told by the Office of Price Administration to expect increases in all of our principal raw materials; viz, corn sirup, milk, sugar, peanuts, chocolate.

We were told to expect continued and lengthy shortages of sugar and corn sirup. Bear in mind we are still under general maximum price regulation frozen in price back to March 1942 with 60 percent of our 1941 sugar usage allotted to us and the multitude of cost increases since then with which everyone is familiar and now more to come.

It is very humiliating and disillusioning to go through the rigors of war serving our country well only to find that peace brought financial disaster.

Respectfully yours,

CHARLES F. SCULLY,
Chairman, Candy Bar Manufacturers Industry Advisory Committee.

AUGUST 16, 1944.

Mr. CHESTER BOWLES,
*Administrator, Office of Price Administration,
Washington, D. C.*

(Attention: Mr. W. E. Roys, acting price executive.)

DEAR SIR: We are pleased to hand you herewith committee recommendations and our reasons for making them. These recommendations were prepared by the committee in formal meeting held August 16, 1944, in Chicago, Ill.

Yours very truly,

CANDY BAR MANUFACTURERS INDUSTRIAL
ADVISORY COMMITTEE,
JOHN W. McKEY.
CHARLES F. SCULLY, *Chairman.*
PAUL R. TRENT.
JAMES O. WELCH.
OTTO G. BEICH.
HAROLD S. CLARK.
G. H. FLINT.
H. H. HOBEN.

The Candy Bar Manufacturers' Industry Advisory Committee meeting in Chicago, Ill., August 16, 1944, makes the following recommendation to the Administrator of the Office of Price Administration:

1. OPA control of the ingredient and selling prices of confectionery items should continue into the postwar period until the economy of the Nation can again rest on a free competitive system.

2. OPA control of the selling prices of 5-cent candy bars should be made definite and certain by the adoption of the March 1942 lowest wrapper-weight designation as descriptive of the product, and the count-per-box price then in force as the present basic price, for all items that have not been exempted by special regulation from the general maximum price regulation. The standard of compliance should be upon the subsequent actual average weight.

3. OPA control of the selling price of 5-cent candy bars should be extended to discourage low-weight items by granting weight adjustments where needed to trade-named candy bars that are now in a hardship class from a competitive standpoint.

REASONS FOR RECOMMENDATIONS

1. The committee makes the first recommendation as to the extension of price control into the postwar period, for the following reasons:

Peace in Europe can bring many changes in the price of the commodities the candy-bar manufacturers must buy. World shortages will continue to affect many commodities. Unless price control is continued, these commodities may flow into markets that will open up when hostilities cease. For instance, coco comes from Africa and South America. When the European nations again are purchasing in these markets, prices may rise for these basic raw materials. Unless prices are controlled to permit entrance of these raw materials, the bar-goods manufacturers may not be able to get materials and so may not continue to make products to sell at their present levels.

Sugar is a commodity that is materially affected by off-shore conditions. If the demand for sugar increased materially in markets that are now closed by war, our imports may fall off and we could face a condition where it would be more advantageous for domestic growers to export rather than sell in the home markets. Only firm price control can avert the dangers that may exist for a very short period after hostilities cease.

As to certain ingredients now used in bar-candy manufacture, such as coconut and peanuts, the immediate postwar price trend may well be considerably lower. In the other direction, such ingredients as corn sirup may increase in price. Since chocolate and sugar are such major factors in the cost determination of candy bars, any marked increase in the price of these two commodities could seriously affect the selling price of candy bars. The removal of price controls before the necessary postwar adjustments had been made might bring about comparable conditions to those which existed after the close of the last war. Then the price of sugar went to 26 cents per pound.

As soon as the postwar period has passed to the extent that the free competitive system again becomes operative, all price controls should be discontinued immediately. Just as price controls were necessary to protect the economic structure of the Nation during the time that the artificial conditions resulting from war continued, so is it necessary for them to be abolished at the earliest possible date.

A crutch is needed to protect a broken leg while it heals, but unless the crutch is discarded when the bone has firmly knitted, permanent injury may result. If the crutch is used too long, the leg may wither and be forever useless, even though the break healed perfectly. Price control is a valuable aid to the war effort, to the American people, and to industry, so long as the war conditions continue. But with the coming of peace and a return to normal business conditions, the artificial interference with competitive prices should be removed to permit a return to the traditional free enterprise system. The competitive conditions which exist under the American system of business are the best guaranties the people can have of quality products at lowest prices.

2. The committee makes the recommendations as to the necessity for OPA control of the selling prices being made definite and certain by the adoption of the label weight designation to describe the product as sold on a unit basis, for the following reasons:

Since the inception of the candy-bar business, it has been the practice in the industry to sell items on a unit basis by count per box. Taste is of great importance in the marketing of candy bars while weight is of much less consequence to the buying public, so oftentimes items of widely divergent weights sell at the same price. For instance, in a competitive market, a bar weighing only 1½ ounces that offered a popular taste appeal sold in much greater volume than did others weighing 2 or 3 ounces. The manufacturers' prices, wholesale prices, and retail prices of various trade-named bars varying from 1 ounce to 3 ounces, were usually the same. Sales were on a unit basis. Taste was the factor which controlled volume. The manufacturers and jobbers sold on a count-per-box basis, while the retailer resold the units as separate items. Weight, as such, in limits from 1 ounce to 3 ounces, did not affect the price.

In the competitive market which existed before the war, weight was of concern to the manufacturer only insofar as the laws governing food packaging and labeling were concerned. The United States Government, at first through the Food and Drug Administration and later through the Federal Security Agency, administered the old Food and Drug Act of 1906 as amended, and the new Food, Drug, and Cosmetic Act of 1938 as amended. These administrative agencies provided by regulation that where the average net weight was set out on the label, variations from the stated weight, measure or numerical count was permissible

when caused by unavoidable deviations in weighing, measuring, or counting individual packages which occurred in good packing practice. Variations above the stated minimum were not permitted to be unreasonably large.

The label weight was the test applied by the Supreme Court by which a manufacturer was judged to have complied with the law, or to have misbranded his products.

When OPA began its price control, it applied on some occasions the same test in use by the Government through its food agency, in use by the Supreme Court, and accepted by the industry. In granting price increases on certain bars, OPA used the price of the individual items on a count-per-box basis, without mention of the weight. That was the method used in granting price increases on four trade-named bars on November 14, 1942. The same practice was followed in granting a price increase on a count-per-box basis for a single trade-named bar on January 22, 1943. In that instance, the adjustment in price was made because OPA recognized that the applicant's prices were abnormally low in relation to the prices of competing 5-cent candy bars. In pricing a new candy bar OPA, in one instance, followed the established practice of describing the product by its wrapper weight designation, but fixing the price upon a count-per-box basis. The most recent orders of OPA, issued on July 28, 1944, fixed the price of a confectionery product having a wrapper weight designation of 9 ounces, on a count-per-box basis.

In pricing other food products, such as fruits, preserves, jam and jellies; apple butter; peanuts and peanut butter; and potato chips, OPA ruled that where label weights were used, prices figured by weight should be based on weights named on the labels and not on the actual fill. This procedure was in full recognition of the industry practices common throughout the packaged food fields.

Although the other governmental agencies, the courts, the industry and OPA have all agreed that the proper method of pricing candy bars is upon a count-per-box basis, as described by label weight designation, no official OPA ruling has ever been made that such a basis was proper for determining the basic March 1942 price of candy bars. There is a need for such a ruling now.

A representative group of candy manufacturers called to Washington to confer with officials of OPA on March 15, 1944, recommended that this situation be clarified by an official OPA interpretation which should provide that in determining the highest March price charged by a seller of candy items during March of 1942, the lowest weight of such items as designated upon the wrapper thereof during March 1942, should be the applicable weight for determining the base price on a count-per-box basis. That subsequent sales and deliveries of such items shall not be at a lower actual average weight than the lowest weight designated upon the wrapper during March of 1942, nor at a higher price than the highest price charged upon a count-per-box basis in March 1942.

That recommendation was supported by a memorandum which reviews the background, discusses the problem, and explains why such an interpretation is needed.

At present, there is no way by which a manufacturer can determine with certainty what his "highest price" in March 1942 was, except on a wrapper weight description of the product as sold on a count-per-box basis. It is characteristic of candy-bar manufacture that individual items vary in good in manufacturing practice as much as one-half ounce per bar. When there was no price control, manufacturers maintained their profit margins—to some extent—by increasing or decreasing the ingredient content of their bars. When the change was of sufficient consequence, to materially affect the average weights, new weight designations were shown upon the label.

After price control was instituted, manufacturers were limited in their right to decrease the average net weight of their products. Since they were uncertain as to the maximum price in relationship to their minimum weights, many manufacturers have increased their average net weights over those they believed to have been produced in March of 1942. However, this was a practical solution only so long as there was sufficient profit margin available to permit such a price decrease.

Since the beginning of 1942, the cost of labor and materials needed in the manufacture of candy bars has risen sharply. As the profit margin was reduced to the point of extinction, manufacturers of established trade-named bars were faced with the alternative of either producing the item at a loss or else discontinuing its production entirely.

Some established manufacturers and many newcomers to the field solved the problem by marketing new bars of small size. There has been no limitation on the number nor the size of such new candy bars, so long as the manufacturer priced

the items in accordance with the price charged during March 1942 "by the most closely competitive seller ----- for the same commodity." This pricing policy has encouraged manufacturers of established products of standard sizes to adopt the easy method of going to a smaller bar under a different name, instead of trying to determine the minimum size that was permissible for their established bars. The result has meant a disappearance from the market of those bars of publicly recognized value. The buying public has been compelled to pay higher prices—by buying a similar type bar of lesser value—or else do without candy bars.

The increased costs to candy-bar manufacturers are shown by the figures issued by agencies of the United States Government. The Department of Agriculture's National Food Situation for April 1944 showed that using 1935-39 as equivalent to 100 that the retail food price of sugar had increased from 118 in January of 1942 to 128 in March of 1943. On the same scale, eggs had increased from 111 in April of 1942 to 181 in December of 1943. The Department of Agriculture's Marketing and Transportation Situation for June of 1944 shows that using the same index base for 100 that prices received by farmers for 58 foods rose from 94 in 1940 to 182 in January of 1944. This indicates that the cost of raw ingredients practically doubled between the start of the war period and the present time. According to the Department's Demand and Price Situation release for April of 1944, daily production payments brought producers' returns up an additional 50 to 80 cents per 100 pounds over 1943 for sale of whole milk and 8 cents per pound for sales of butterfat. The Department of Agriculture in its marketing publication for June of 1944 discloses that on the same index base for 100 (1935-39) that the hourly earnings in the food-processing enterprises rose from 116 in 1941 to 148 in April of 1944. Other figures could be cited to show the increases in such specific items as condensed milk, chocolate, cocoa, coconut, corn sirup, peanuts, tree nuts, and other ingredients that also go into the manufacture of candy bars. Some explanation for these price increases may be found in seasonable trends, subsidies, and special circumstances, but the sharp movement upward is quite clear.

With the loss of efficient labor to the armed forces, manufacturers were forced to pay higher wages to inexperienced help. Spoilage, breakage and other losses multiplied. Labor difficulties in the nature of manpower shortages and absenteeism took their toll.

As is set out in the United States Department of Commerce Preliminary Report on Confectionary Sales and Distribution in 1943, concentration of production into lower cost items was responsible for an increase of about 15 percent in the average value of all confectionery sold in 1943. This demonstrates the effect of manufacturers shifting from established trade-named bars of uncertain minimum price to small, low-cost items where there is enough profit margin to permit normal manufacturing variation with safety.

In the final analysis, no argument should be necessary to support a request for a definite and certain guide where prices are fixed, and deviations are punishable. The wrapper-weight designation as a description of products sold upon a counter-box basis is the criterion that has been used by the Government through its administrative agencies and courts for many years. OPA has on many occasions recognized and used the formula. It is the only practical and fair-pricing plan available.

3. The committee makes the recommendation that weight adjustments should be granted where needed to bars in a hardship class, for the following reasons:

Candy bars generally are still priced under the general maximum price regulation. When the GMPR was promulgated, it contained a provision allowing individual adjustments in hardship cases. Several candy bars were granted price increases under this section.

On November 15, 1942, by amendment 33, section 1499.18 (b) was deleted. According to the statement of consideration for this amendment, the section was removed because OPA had an inadequate staff to consider all such applications. The need for some other regulation along this line is set out in the statement of consideration, as follows:

"If experience should demonstrate that the problems of particular industries can thus be more effectively treated, separate regulations, superseding the general maximum price regulation, will continue to be issued."

It was generally understood in the industry, as a result of statements made by OPA officials, that a new general candy order was to be issued soon after November 15, 1942. Some 500 other such orders have been issued, but the general candy order was never made.

On May 12, 1943, Hon. Prentiss M. Brown, Administrator of the Office of Price Administration, stated:

"This Office appreciates that in some cases in the bar candy industry, prices established on the basis of low-cost inventories, together with the increased cost of certain raw materials may have caused hardships which were not relieved by adjustments filed prior to November 15, 1942.

"Furthermore, it may be that under the situation created by the continued application of the general maximum price regulation, some manufacturers have ceased production of items with respect to which they were squeezed and have either concentrated upon the production of new items which permit them a higher margin of profit. Because of these and other objections to the present pricing method in the bar-candy industry, it is the intention of this Office, as soon as studies may be completed, to issue an amendment or regulation which should alleviate any inequities that may exist, and eliminate the necessity for the unsatisfactory practices to which the candy-bar industry has resorted."

Since November 15, 1942, there has been no way in which bars in individual hardship cases could secure price adjustments. Therefore, manufacturers of such bars could either (1) lose money, or (2) discontinue the item. There are no other alternatives.

Since May 12, 1943, the condition recognized by OPA Administrator Brown has grown more apparent.

To illustrate: Candy bars habitually contain sweetening, fats, and flavoring agents, as basic ingredients combined in various cooked forms. There can be innumerable combinations, but the basic ingredients are generally comparable for all candy bars. Under the present pricing structure, the long-established concerns who make well-known bars cannot reduce the size of their good bars below some undetermined March 1942 level. So, if they used sweetening, fats, and flavoring agents in sufficient quantity to make a 2- or 2½-ounce bar in March 1942, they must use that much or more raw material now if they continue to sell their same-named bars. Since materials are scarce and labor is limited, many old manufacturers of leading bars find that present production of quality items is very limited.

Of course, the bars that won public acceptance in an open competitive market are most popular with the men and women in service, just as they are with civilians. These leading manufacturers are patriotic and without exceptions so far as we know, have turned the major portion of their production to the armed forces. As a result of this combination of circumstances, the leading candy bars have become scarce and in some instances have practically disappeared from the civilian market.

The small manufacturer or the newcomer, who has no reputation to maintain, or trade name to protect, finds a vastly different situation. As OPA Administrator Brown recognized, by "the production of new items which permit them a higher margin of profit" such operators can manufacture a cheap candy weighing three-fourths or 1 ounce per bar and sell it at the same price that the established confectionery house must sell its 2- or 2½-ounce piece. Both the pieces contain some combination of the basic ingredients, sweetening, fats, and flavoring agents. Since materials can be made to go farther when so stretched, and since this inferior candy will not sell to the men in service in competition with leading bars, the civilian market is crowded with new, small, poor-quality bars.

An American citizen oftentimes cannot buy a 2- or 2½-ounce bar of well-known quality. Due to production difficulties, the need of the armed forces, and the siphoning off of materials by newcomers who make cheap bars, the established manufacturers cannot supply any appreciable portion of the civilian demand. Oftentimes, the only kind of bar a citizen can buy is one of the unknown, undersized, undesirable bars of the 1-ounce variety.

Query: Which of two courses is most inflationary?

(a) To make available for purchase only poor quality, small bars at 5 cents each, while compelling leading manufacturers to continue to make 2- or 2½-ounce bars the public cannot buy, or

(b) To permit the established manufacturer to reduce weights to approximately 1½ or 1¼ ounces on 5 cent bars, and thus bring into the market quality products of long-acknowledged taste appeal in sufficient quantity so that the public can secure them.

In other words: Does a nickel buy the most when it can be exchanged for a 1-ounce piece that sometimes is not fit to eat, or when that same nickel can be exchanged for a larger bar made of first-class ingredients combined to an accepted taste by a skilled and experienced manufacturer who has a trade name and a reputation to protect?

At the present time the price is rigidly controlled—on the candy bar the purchaser cannot buy. As to the inferior candy bar that is offered to him—the purchaser must pay an inflated price.

By the simple expedient of adopting a new name for a candy bar, any manufacturer can use sweetening, fats, and flavoring agents to make a 1-ounce bar, but no manufacturer can keep his present-named bar that weighs 2 ounces, and reduce the same sweetening, fats, and flavoring agents in that bar to 1¼ ounces. Should he do so, he would be in technical violation of regulations. But, when he adopts a new name, he can use the same ingredients and reduce that same bar to half or one-third of the present size.

The solution to this problem is very simple. OPA has recognized the need for some improvement, but has not yet provided a remedy.

Inasmuch as a manufacturer can price a new bar according to competitive sellers' prices for the same, or the most nearly similar commodity, this committee recommends that the manufacturer should have an equal right to price an established bar on the same basis; that is, in accordance with competitive prices for competitive items.

There can be no justification for granting to new bars higher prices than those permitted to well-established items that have won public acceptance as a result of quality.

This committee recommends that OPA give consideration to the adoption of a formula for such relief based on pricing of candy bars to permit the individual manufacturer to sell his candy bar products at label weights which will represent in candy not less than the same ratio of candy material (on a March 1942 replacement basis) to March 1942 selling price as was in effect in March 1942. In the event that materials decline below the March 1942 replacement value the manufacturer shall be allowed a period of 90 days in which to procure new labels and adjust weights.

The granting of the same privilege to established trade-named bars that new bars have enjoyed will bring about a wider distribution of quality merchandise. If manufacturers can go back into production of their established lines, or can increase the volume of these lines, the public will again be able to buy the bars that won popular approval in a competitive market. Manufacturers of high-priced, small bars will be forced to either improve the quality or increase the size, or do both, if they continue to enjoy patronage. When the public is given an opportunity to make a free choice, only quality merchandise can survive. Thus, the granting of equal rights to all bars—old and new alike—will alleviate the present situation.

Unless provision is made for individual adjustments, the present trend toward rising prices will continue. The inflationary spiral will continue to grow. The "unsatisfactory practices" which Administrator Brown recognized on May 12, 1943 (more than a year ago), have already reached far greater proportions than existed at that time. It would seem that this problem should have immediate solution.

Respectfully submitted,

*Chairman, Candy Bar Manufacturers'
 Industry Advisory Committee.*

CHICAGO, ILL., August 16, 1944.

 NATIONAL ASSOCIATION OF TOBACCO DISTRIBUTORS, INC.,
New York 10, N. Y., May 9, 1946.

HON. ROBERT F. WAGNER,
*Chairman, Senate Banking and Currency Committee,
 Senate Office Building, Washington, D. C.*

DEAR SENATOR WAGNER: Pursuant to your request under date of May 4, 1946, I have the honor to submit herewith a statement concerning the pending legislation to extend price control.

Respectfully yours,

JOSEPH KOLODNY.

STATEMENT ON THE EXTENSION OF PRICE CONTROL BY JOSEPH KOLODNY, PRESIDENT, JERSEY CITY TOBACCO CO., JERSEY CITY, N. J., TO THE BANKING AND CURRENCY COMMITTEE OF THE UNITED STATES SENATE, MAY 10, 1946

My name is Joseph Kolodny. I am a wholesale tobacco distributor and owner of the Jersey City Tobacco Co. of Jersey City. My company services approximately 5,000 independent retail outlets, consisting of stationery and cigar stores, grocery stores, restaurants, hotels, drug stores and a variety of others. We supply these merchants with tobacco, confectionery, and kindred products.

I desire to give my wholehearted endorsement and support to the continuation of the Emergency Price Control Act.

One may ask, "How can I as a wholesaler, burdened with increased costs of doing business and inflexible prices under the General Maximum Price Regulation, sustain in business?" This is the explanation. Owing to the fact that we have operated in a seller's market where the demand far exceeded the supply, we have been able to increase our sales substantially on products which we did not handle prior to the war. Furthermore, we were required under the regulations of the Office of Defense Transportation to reduce the frequency of deliveries, which resulted in decreased operating costs.

As a wholesale distributor of products which are consumed daily and the scarcity of which, during the war period, has caused a great deal of public irritation, I am sufficiently sanguine in my belief and conviction that were it not for the deterrent to price rises provided by OPA, the prices of tobacco and confectionery products would have risen to a marked extent. While transactions in these products have not been entirely outside the realm of black-market activity, that condition has applied to only a very minute portion of the total volume of tobacco, confectionery, and kindred products, the aggregate sales of which amount to approximately \$3,000,000,000.

In addition to the management of my own business, I also am managing director of the National Association of Tobacco Distributors, representing the wholesale tobacco trade. With my knowledge of the trade in general, I do not hesitate to state that in the case of approximately 2,000 wholesale tobacco distributors and hundreds of thousands of retail outlets, there have been very few departures from the legal prices under the General Maximum Price Regulation. It is true that, owing to the fact that merchandise has not been available in quantities sufficient to permit volume discounts to buyers, such discounts were temporarily discontinued.

With respect to the claim that ceilings on prices have resulted in deterioration of quality, I am, of course, not in a position to answer for industry at large. But as it applies to tobacco and confectionery products, except for the elimination of certain ingredients and packaging materials which were either unavailable or not permitted under Government regulations, there has been no appreciable deterioration of quality in those products.

Pressure for higher prices is constant, and it is quite understandable. Costs of labor, materials, and every other element of expense involved in the operation of a business have been ceaselessly increasing. From all present indications, that pressure will continue unabated. On several occasions, the tobacco industry, including the wholesale trade, has pleaded with the OPA for warranted relief. The desired relief has in several cases been granted when it was clearly evident that the profit yield of the industry had fallen below that of the base period 1936-39. While these increases are considered inadequate by some, it is the consensus of opinion that, broadly speaking, the industry has not suffered from undue repression as a result of OPA ceilings.

Also, the incontrovertible fact remains that, because of the existence of OPA, the consuming public, despite scarcities and difficulty in obtaining its daily requirements of cigarettes, tobacco, and confectionery, has not been burdened with inflated or unreasonable prices for these products. The line has been held firmly. Of course, any agency dealing with the purse strings of the public or the businessman's intuitive desire for profit, would inevitably invite sharp criticism and abuse. It should be conceded, on the other hand, that individual businessmen have had just grievances because unquestionably the OPA has in some instances used poor judgment or tactics. But how can that be avoided when the agency is confronted with the problem of controlling the prices of thousands of products affecting the lives of every person.

Much of the criticism leveled at OPA has been to the effect that enforcement has often been ineffective. It is therefore my recommendation that the agency be granted a sufficient appropriation to permit adequate enforcement of the law.

However, notwithstanding congressional action in that respect, I feel that any attempt to vitiate or abolish the OPA at this time would be tantamount to inviting economic disaster.

NEW YORK, N. Y., May 8, 1946.

HON. ROBERT F. WAGNER,
*Chairman, Banking and Currency Committee,
 United States Senate, Washington, D. C.:*

Have received your wire of May 3 addressed to me as chairman of Cane Sugar Refining Industry Advisory Committee of OPA. Appreciate your offering our committee this opportunity to submit statement. Our industry petitioned OPA September 4, 1945, for price relief. Our case has not been decided up to present, although OPA is now actively engaged in a new analysis and promises us a decision shortly. Pending this decision, we will not know whether relief to be granted will be sufficient to meet the industry's increases in costs arising from higher levels for wages, fuel, and supplies, and reduction in volume of operations we will be in better position to give our views on pending legislation when OPA has reached decision in our case.

JOSEPH F. ABBOTT,
Cane Sugar Industry Advisory Committee.

GREEN BAY 9, WIS., May 9, 1946.

HON. ROBERT F. WAGNER,
*Chairman, Senate Banking and Currency Committee,
 Washington, D. C.:*

Administration policies of raising wages at the same time trying to hold prices rigid are wrong. OPA policies have stifled production, producing shortages which are now used by OPA to demonstrate further need of their bureaucratic controls. Their policy is one producing strangulation, not regulation, and producing black-market lawlessness comparable to that of the eighteenth amendment. I advocate discontinuance of OPA, unless modified, to drastically curtail their discretionary powers that industrial development, production, and distribution can no longer be strangled.

R. H. WINTERS,
*Chairman, Industry Advisory Committee, OPA.,
 (Canned) Beet and Carrot Section.*

ROCHESTER, N. Y., May 9, 1946.

ROBERT F. WAGNER,
*Senate Banking and Currency Committee,
 Senate Office Building.:*

Replying your telegram May 7. Members OPA canned fruit and vegetable industry advisory committee have had no opportunity formally express themselves relative price control extension. From personal contact with several members it is evident that opinion is divided. Some want OPA discontinued June 30. Others believe major canned fruit and vegetables are important cost of living items and the prospective supply and demand outlook required price control to prevent run-away prices. Have reason to think industry about equally divided for and against termination of price control.

H. T. CUMMINGHS,
Chairman, Canned Fruit and Vegetable Industry Advisory Committee.

CHICAGO, ILL., May 7, 1946.

HON. ROBERT F. WAGNER,
*Chairman, Senate Banking and Currency Committee,
 Senate Office Building, Washington, D. C.:*

In answer to your wire May 4 the members of the canned meat industry advisory committee that I have been able to contact today feel that OPA regulations on livestock and meat have seriously affected our ability to obtain meat for

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 2009

canning. Since all other remedies have failed to correct this situation we feel these controls should be removed. This remedy would restore supplies of canning meat to normal slaughtering and processing channels which would materially improve utilization and distribution of canned meats to consumers.

RUSSELL M. SMITH,
Chairman, OPA Canned Meat Industry Advisory Committee.

NEW JERSEY CANNERS' ASSOCIATION,
Greenwich, N. J., May 8, 1946.

HON. ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Washington, D. C.

MY DEAR SENATOR WAGNER: We are grateful for the opportunity afforded by your telegram of May 4 to set before the Senate Banking and Currency Committee a statement reflecting the opinions of the New Jersey Canners' Association. In view of the barrage of propaganda to which the Congress is being subjected by organized minorities such as the PAC, the Communists, and their more subtle fellow travelers, to say nothing of the well-organized lobby of the OPA itself, we believe your committee will find the opinion of the New Jersey food industry to be a model of restraint and common sense.

In brief, then: The New Jersey Canners' Association is not opposed to price controls for such reasonable time as may be necessary to stabilize our postwar economy—so long as the spirit of Congress' intent is maintained.

The issue confronting your committee is not really to have or not to have price control. Rather it is whether OPA shall operate by giving the producers of the country a green light, or contrive to hamper industry with confusion, prostration, and unrealistic restrictions.

The Office of Price Administration knows, for instance, that New Jersey canners actually lost money on the asparagus pack of 1945, under the price ceilings finally imposed, while other governmental agencies were demanding maximum production. Yet we are packing asparagus today, and do not know what price will be allowed on the 1946 pack.

Knowingly, OPA refused to recognize approved increased labor costs, although the food industry was assured such costs would be reflected in our price.

Knowingly, OPA set up arbitrary cost ranges for raw agricultural materials—and at no time has it been possible for processors to buy tomatoes or other crops at the price OPA used in setting ceilings.

A little honesty and realism on the part of OPA would have helped on both the counts of labor and raw materials costs.

Further, we believe it imperative, if maximum food production is to be attained, that OPA issue prices in advance of the pack of the individual fruits and vegetables. Over the past years the processor has been forced to start packing without knowledge of his selling price and, in many instances, prices have not been announced until after the packs have been completed.

In short, as food packers, we want to know what prices are to be before packing, and that those prices honestly reflect a realistic understanding of labor and materials costs. We want OPA to carry out its policies the way Congress intended. We want its confused bureaucracy broken up, and American common sense substituted for phony economics.

Very sincerely yours,

WILLIAM H. RITTER, JR.,
Chairman, Legislative Committee, New Jersey Canners Association,
Canned Tomatoes and Tomato Products Industry Advisory Committee.

MATFIELD GREEN, KANS., May 8, 1946.

HON. ROBERT F. WAGNER,
Chairman, Banking and Currency Committee,
United States Senate, Washington, D. C.:

Cattle Producers Industry Advisory Committee of OPA vigorously oppose continuation of subsidies after June 30. Do not feel cattle prices should advance, but wages justify the consumer paying the subsidy so that live-cattle prices will

2010 EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942

not decline when subsidies are removed. Cattle numbers are high and grain scarce. Feel removal of controls would increase slaughter materially; prevent up-grading; and black markets. We recommend it as the better way.

WAYNE ROGLER,
Chairman, Cattle Producers Industry Advisory Committee.

NEW YORK, N. Y., May 9, 1946.

HON. ROBERT F. WAGNER,
*Chairman, Senate Banking and Currency Committee,
Senate Office Building, Washington, D. C.:*

Reply to your wire, May 4, condensed statement of 14 members of committee follows. The published policy of OPA is to the effect that price control should be eliminated at earliest possible moment and specifically that where production in any industry is equal to demand price control should be promptly removed from such industry. Cement industry records show that supply has exceeded demand for past several years and still does, yet present OPA organization has taken no action to lift price control from cements. Our experience with OPA clearly indicates that the many changes in personnel and lack of experience and knowledge of our industry by them makes impossible any real understanding of problems submitted to them, thereby greatly interfering with construction work, including housing so badly needed throughout the country. We recommend that (1) price control as presently administered by OPA organization should be abolished for cement industry; (2) if it is extended, price control legislation should set definite standards and procedures under which industries would have their controls discontinued; (3) if it is extended price control legislation should permit carrying out the purposes of the act only by men well informed and experienced in the industries being administered.

W. C. RUSSELL,
Chairman, Cement Industry Advisory Committee, OPA.

THE CUDAHY PACKING CO.,
Chicago, May 8, 1946.

HON. SENATOR ROBERT F. WAGNER,
*Chairman, Banking and Currency Committee,
Senate Office Building, Washington, D. C.*

MY DEAR SENATOR: I wish to express my appreciation for the privilege of presenting a brief statement in connection with the extension of OPA in regard to dairy product prices, particularly as they effect the cheese business. Following is a brief recapitulation of the developments of the last 5 years in the cheese business, which lead to the obvious conclusion that the only correction lies in complete removal of all OPA price regulations in regard to all manufactured dairy products.

During the war, the industry generally, gave full support to the various measures aimed at the control of prices. Due to a combination of circumstances, those measures worked reasonably well including not only the price-ceiling measures, but also such supplementary measures as restriction orders. Even during the war, however, there was a certain degree of black-market operations that was never brought under control.

Soon after VJ-day, practically all of the supplementary measures, including limitation orders, were removed. Reinstitution of these measures at this time is in my opinion, impossible.

Since VJ-day, the production of Cheddar cheese, the type which accounts historically for about 80 percent of all cheese manufactured in the United States, has been declining steadily and is now running at a rate of 15 to 20 percent under a year ago and is expected to show an even more rapid decline hereafter. This anticipated further reduction on Cheddar cheese is based on the fact that milk cow numbers on January 1 were lower than a year ago, that the total milk production is less than during the last 5 years and that fluid milk and cream consumption is increasing and that the Government, in order to secure 120,000,000 pounds of Cheddar cheese during this summer has reinstated an order requiring that 40 percent of the Cheddar cheese manufactured in May and June is to be set aside for sales to the Government, which is forcing much milk from Cheddar cheese into many new types which offer more profit possibilities under OPA.

We have recommended repeatedly corrective measures to the various administrative officials during the past several months. The only action that has been taken up to this time is the recent announcement by Stabilization Director Bowles, increasing subsidies to producers, which will undoubtedly be much less effective than price increases in maintaining milk production and will certainly have no beneficial effects as far as cheese is concerned.

With feed supplies reduced, labor shortages continuing, equipment short and (reduced further by the current coal situation), together with all items of producer expenses mounting steadily, milk available for manufactured dairy products, specifically cheese, will be further reduced.

Many operators of cheese factories, as well as handlers of cheese, in order to stay in the business which they have spent a lifetime developing, are now forced to resort to various evasive devices. These evasive devices, as well as outright violations through black-market operations, not only completely nullify any protection to the consumer through price control, but also are ruinous to the ethical and conscientious operator unwilling to resort to these measures, and in many instances final prices paid by consumers are not reflected in the producers returns.

The administrative arm of the Government, by its pricing decrees, is arbitrarily determining the form in which milk shall reach the consumer.

After exhaustive studies and careful consideration of this entire situation, and with all practical remedial suggestions having been ignored, we are forced to the conclusion that the only effective remedy remaining is the elimination of price control as it relates to dairy products, specifically cheese, by the Congress.

Yours very truly,

A. F. PERRIN,
Cheese Industry Advisory Committee.

MADemoiselle Modes,
New York, May 8, 1946.

HON. SENATOR ROBERT F. WAGNER,
Chairman, Banking and Currency Committee,
Washington, D. C.

DEAR SIR: We are grateful for your invitation as stated in your telegram of May 3.

While we are in favor of continuation of OPA, we recommend the following changes:

(1) MAP should be eliminated. In view of our inability to obtain a sufficient amount of lower priced fabrics, it is not possible for the industry to continue full scale production of quality merchandise at 1943 levels.

(2) MPR 287 should be so amended to permit inclusion of current labor costs instead of the 1942 wage levels as now provided.

It is not reasonable to expect our industry in 1946 to operate on the 1942 basis in the light of all that has transpired since then by direct action of OPA and otherwise.

We thank you, sir, for this opportunity of expression and offer our every cooperation.

Very truly yours,

MADemoiselle Modes,
A. I. BENJAMIN,
Chairman, Children's Sportswear Manufacturers,
Industry Advisory Committee, OPA.

EASTERN FEDERATION OF FEED MERCHANTS, INC.,
Sherburne, N. Y., May 6, 1946.

HON. ROBERT F. WAGNER,
Chairman, Banking and Currency Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR WAGNER: Your telegram offering the opportunity of including in the transcript of your committee brief statement concerning pending legislation to extend price control is greatly appreciated.

2012 EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942

With this letter we are submitting statement covering the appraisal of the situation and the recommendation of our group in reference thereto.

Very truly yours,

EASTERN FEDERATION OF FEED MERCHANTS,
 A. W. CARPENTER,
*Executive Director (Class B Mixed Feed Trade
 Industry Advisory Committee.)*

AWC/mbc

STATEMENT OF THE EASTERN FEDERATION OF FEED MERCHANTS FOR RECORD OF
 SENATE BANKING AND CURRENCY COMMITTEE ON OPA EXTENSION

Speaking for 760 livestock feed manufacturers and distributors whose operations are at country levels in the 11 Northeastern States, we wish to go on record as reporting a drastically critical feed supply situation.

Due to their inability to purchase feed grains and byproduct feeds, these manufacturers and distributors for the month of April were forced to cut back to 65 percent of their last year's production and this month will do extremely well if they produce 50 percent of the feed produced the corresponding month of 1945. This means a radical reduction of poultry flocks; some reduction in dairy cows and the underfeeding of remaining dairy herds which inevitably will result in a critical shortage of eggs, milk, and poultry meat for food consumers in the coming fall and winter.

Inability to purchase feed supplies is created by unrealistic Government price ceilings on grains, particularly corn, protein ingredients, and mill feeds, which have resulted in bartering and black-market operations in these commodities to the point that normal and equitable distribution thereof is completely distorted with the northeastern feed deficit area absorbing the brunt of short feed supplies.

Emphasizing the inequalities in present OPA ceiling prices on grains in relation to their respective feeding values, we use the following table:

Kinds of grain	Ceiling prices (Chicago)	Per ton	Kinds of grain	Ceiling prices (Chicago)	Per ton
No. 2 yellow corn.....	¹ \$1.21½	\$43.39	No. 2 white oats.....	¹ \$0.83	\$51.87
No. 2 wheat.....	¹ 1.83½	61.16	Grain sorghum.....	² 2.91	58.20
Feed barley.....	¹ 1.26½	52.70			

¹ Per bushel.

² Per 100 pounds.

When it is considered that corn and wheat have approximately equal feeding value for livestock and that oats have only four-sevenths the value of corn in livestock rations, you will clearly recognize the present unrealistic and ridiculous price ceiling on corn.

Recent Government action in paying 30 cents per bushel above ceilings for corn in order to secure same for export to starving people abroad has further aggravated the tight feed supply situation here. The success of the Government in securing the volume of corn desired for this purpose by paying 30 cents per bushel for it above present Government ceilings—offers very good evidence that the removal of price ceilings or a substantial increase in the same would actually influence farm holders thereof to sell same and move it into distributing channels.

It is the conscientious conviction, of long experienced feed men in our group that complete removal of price ceilings on all agricultural products is the only solution of the present situation which, if continued, will unquestionably wreck the dairy and poultry industries of the Northeast and in doing this, deprive food consumers of the best protective foods in coming months.

EASTERN FEDERATION OF FEED MERCHANTS,
 By A. W. CARPENTER, *Executive Director.*

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 2013

NEW BEDFORD, MASS., *May 9, 1946.*

SENATOR ROBERT F. WAGNER,
*Chairman, Senate Banking and Currency Committee,
Washington, D. C.*

Retel I am very happy to have the opportunity to present to you my views and those of my associates in the New Bedford Cotton Manufacturers Association on pending legislation to extend price control.

It is our belief that sufficient evidence has already been presented by the textile industry to prove conclusively that the cost of textile goods to the consumer under OPA policies is far greater than it should be because of the failure of OPA to establish ceilings that show reasonable profit on the cheaper types of fabric. Ceilings have resulted in a reduction in the manufacture of many staple types of fabrics, and have forced the industry to manufacture the more expensive types of goods in order to obtain a reasonable profit. As a result, the public has been obliged to buy these fabrics as the cheaper types of goods have not been available.

We are of the opinion that OPA should be continued in industries where demand does not approach supply by a wide margin, but feel that a complete house cleaning should take place in OPA and that Congress should definitely instruct this department so that misinterpretations of its functions can no longer be possible.

We believe, therefore, it is imperative that the following amendments be made to the OPA law:

1. Where approvable wage increases are granted, a price increase shall be granted equal to a percentage of the amount of wage increases in the ratio which the wage cost immediately prior to the wage increases bore to the sales dollar.

2. Where increase in material cost occurs, a price increase shall be granted equal to a percentage of the amount of the increased material cost in the ratio which material cost immediately prior to such increases bore to the sales dollar.

3. In any event a company shall be permitted a price increase that will reflect to it the cost of current production plus its ratio of profit to sales in 1941. In the event that 1941 was a year of subnormal profit position, a period shall be selected which reflects a normal operation of the company.

4. No maximum price shall be placed on each individual item manufactured which does not reflect to the producer thereof the cost of production plus a profit equal to the current profit margin of the company.

5. It is the policy of Congress that price controls should be removed over industries, (1) where the commodity or commodities bear only a minor relationship to cost of living items, (2) where production is equal to 75 percent of demand as found by industry advisory committees.

We feel that these amendments would be extremely helpful in attaining full production not only for the textile industry but for all industries throughout the United States. Furthermore, we feel that the law extending the life to OPA should not only include these amendments but also such definite instructions to this agency as are necessary so that there can be no possible misinterpretation.

SEABURY STANTON,
Chairman, New Bedford Cotton Manufacturers Association.

NEW YORK, N. Y., *May 9, 1945.*

HON. ROBERT F. WAGNER,
*Chairman, Senate Banking and Currency Committee,
Washington, D. C.:*

Answering your wire of May 3 the OPA Advisory Committee of the Clock and Nonjeweled Watch Industry are convinced that if legislation to extend price control is passed it should require recognition of actual increases in costs rather than the inadequate provisions in the present theoretical formulas. As an illustration from this industry one company submitted costs to the OPA proving that average hourly earnings at straight time showed in February 1946 a 51-percent increase over October 1941. In spite of this only 34 percent of this increase was allowed under present OPA standards and nearly half of actual material cost increases also were disallowed. It should also require automatic approval of applications in not more than 15 days in order to eliminate present interminable delays.

2014 EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942

Delays of months have greatly handicapped the resumption of volume production in the industry. It should further specifically prevent regulations which disrupt established highly competitive relationships and patterns of distribution such as is resulting from cost absorption rulings.

Distribution factors on American-made products should not be lower than those allowed by OPA on similar imported clocks and watches a condition now prevailing which adversely affects the American clock and watch industry. For example pending distribution factor on American-made low-priced clocks and watches is 73 percent whereas the equivalent factor on lowest price imported timepieces is 116 percent. It should also provide that decontrol should be automatic for all products not significantly affecting the cost of living when production has reached 75 percent of the prewar level.

E. M. GREENE,

*Chairman, Industry Advisory Committee in behalf of the following companies:
General Time Instruments Corp. (Westclox, Seth Thomas), William L. Gilbert Clock Corp., E. Ingraham Co., Lux Clock Manufacturing Co., New Haven Clock Co., Sessions Clock Co., United States Time Corp. (Ingersoll) (Clock Manufacturers Industry Advisory Committee.)*

NEW YORK, N. Y., May 8, 1946.

HON. ROBERT F. WAGNER,
*Senate Banking and Currency Committee,
United States Senate Office Building, Washington, D. C.:*

We were pleased to receive you wire on May 3, 1946, inviting an expression of opinion on pending legislation concerning OPA. We in the coal-tar distilling industry believe the consumer will benefit from increased supplies if those producers making two or more individual items can obtain price adjustments which will allow a reasonable profit on each individual item regardless of a company's over-all earnings. This will provide an incentive to produce, rather than discontinue the production of such item or items in question. Legislation continuing OPA should make provision to assure prompt processing of petitions for price relief.

ADVISORY COMMITTEE FOR OPA COAL
TAR DISTILLERS INDUSTRY,
THOMAS H. HALL, Jr., *Chairman.*

INDUSTRY ADVISORY COMMITTEE FOR THE
OFFICE OF PRICE ADMINISTRATION,
Providence 3, R. I., May 6, 1946.

HON. ROBERT F. WAGNER,
*Chairman, United States Senate Banking and Currency Committee,
Washington, D. C.*

DEAR SENATOR WAGNER: The Industry Advisory Committee to OPA for the Coated and Processed Paper Industry (formerly known as Glazed and Fancy Paper Industry) appreciates the opportunity offered by your telegram to include in its transcript a brief statement concerning pending legislation to extend price control.

In general, we believe price control should be continued for 6 to 9 months on basic commodities only, such as cooper, steel, food, rent, etc., and in the paper industry, on pulp, and perhaps newsprint. By trying to control nearly everything, a good job is not being done on any commodity.

Our section of the paper industry buys paper in rolls, coats it, prints it, and otherwise converts it. Our small industry has been particularly discriminated against by OPA.

Many of us print paper in roll form, and are in competition with printers, and lithographers, who print in sheet form, and who were relieved from price control November 15, 1945. When our Committee conferred with OPA November 26, 1945, we were advised verbally, our printed items were also relieved of price control. However, when we asked OPA to confirm this verbal statement, they had changed their minds. In cases, the identical product is made by our industry and the commercial printing industry; the first is under price control, the second is not.

Our papers, when sold for co-called gift wrap purposes, are free of price control; when sold for covering boxes, are under control. The manufacturer, when he sells to the jobber, often does not know the final consumer. Hence more confusion.

Aluminum foil, mounted to paper is free of price control. Our papers coated with aluminum or bronze powder, in competition with them, are under control.

By upgrading and elimination of the lower grades, our base papers from primary mills have already advanced in price. Eliminating price control will mean very little further advance if the basic commodities are controlled, and OPA will be in a position to do a better job by confining itself to a few essential items.

We are a small industry, Senator Wagner. Our total annual sales probably do not exceed \$14,000,000 or \$15,000,000 per year. Many of the concerns do not have up-to date cost accounting systems. Several owners actually work right in their factories. They do not have time or the know-how to go to Washington to plead their individual cases with OPA.

The major uses of our products are as box coverings, wrappings, labels, bands, and seasonal wraps sold in connection with luxury items such as cosmetics, perfumes, candy, jewelry, greeting cards, most of which are already freed from price control. They are such a minor element in the costs of these products, as to be of no significance in cost to consumer. The more expensive items are bought for their eye appeal, and advertising value, with little regard to the cost of commodity involved.

On February 16, 1946, our committee recommended to OPA that our products be suspended from price control. Not until April 22, 1946, did we hear that our petition had been denied, with the usual brush-off; just a categorical denial.

Competition will control our prices as it is already. We are small converters. The larger mills are entering our field more and more, at prices lower than ours. If our prices were suspended, there might be small advances in some cases; in others, prices will stay at present levels and very shortly, probably drop.

Our recommendation is to control the essentials, and suspend from price control the 1,000 and one products that have very little significance in the cost of living. These are mostly made by small concerns, who as Thurman Arnold defined, are not big enough to have a lobby in Washington.

Respectfully submitted.

JOHN N. HAZEN, *Chairman.*

P. S.—I am attaching copy of brief submitted to OPA February 1946.

FEBRUARY 16, 1946.

ADMINISTRATOR, OFFICE OF PRICE ADMINISTRATION,
Federal Building 1, Washington, D. C.

DEAR SIR: I am instructed by the Advisory Committee of the Coated and Processed Paper Industry, duly appointed by you in accordance with the applicable provisions of the Price Control Act as amended, to convey to you its recommendation, adopted by unanimous vote that:

The operation of Revised Maximum Price Regulation 129, insofar as it regulates the prices of the products listed under item No. 5 of appendix A thereof, to wit: "Glazed and Fancy Papers," be suspended.

The considerations upon which the Committee bases this recommendation are as follows:

1. Many of these products are sold in the same markets and under the identical competitive conditions as are many of the products from which price control has been suspended by operation of amendment 6 of Suspension Order 129, effective November 15, 1945, and further amended by amendment 8, effective February 13, 1946.

The glazed and fancy paper items listed as item 5 of appendix A of Revised Maximum Price Regulation 129 in many instances are "similar" (as that word is defined in MPR 225) to papers printed under MPR 225 in that:

- (i) They have the same uses;
- (ii) They afford the purchasers fairly equivalent serviceability;
- (iii) They belong to a type which would ordinarily be sold for the same or substantially the same prices;
- (iv) They are produced to the same finished specifications.

(See sec. 1347.472 (22) of MPR 225, March 31, 1943.)

The above-noted similarity is marked to a degree that has caused great confusion among those operating under these orders. However, the fact that the price levels of both have been comparable for reasons noted below, no issue arose

prior to the issuance of the aforesaid suspension order requiring manufacturers thereby affected to request administrative determination of this confusion. It is the consensus of the opinion of the committee that a reasonable interpretation of either order would indicate coverage of many of these glazed and fancy products under both.

In other words, many of the products of the glazed- and fancy-paper industry sell in the identical markets and under the identical competitive conditions with products of the printing and lithographic trade. Many buyers purchase the products of both glazed- and fancy-paper producers and printers and lithographers, separately and in combination for the same product, and such products are indistinguishable in appearance and serviceability. The two groups of products differ solely in the employment of specific processes which differ and the products are in direct competition with each other in the uses to which they are put.

2. The reasons stated in Suspension Order 129, amendment 6, in justification for the suspension of printed and lithographed products apply with equal force to the similar products of the glazed- and fancy-paper industry. This industry is and has long been highly competitive with itself and with the printing and lithographic industry. In addition to the printing and lithographic industry, this industry faces direct competition from the wallpaper manufacturer and from the converter of printed and gift wrappings. Papers produced from both of these sources are purchased for uses identical with the uses of glazed and fancy papers. All of these products have either been exempted from price control or have had the control regulations suspended. The price consequences of the competitive condition is demonstrated in the fact that the prevailing prices of printed, glazed, and fancy papers are controlled in large part by the prevailing prices of the similar products of the printing and lithographic industry, printed wallpaper, or gift-wrap converter. It is certain, in the opinion of every member of the committee, that this industry cannot sustain a price level that is substantially at variance with that established by the competitive printer, wallpaper, or gift-wrap converter.

3. The committee assures the administrator that there is no present indication of the necessity for a price increase above the general level of prices of comparable commodities.

4. A fourth and most important reason for the acceptance by the administrator of his committee's unanimous recommendation is the fact that the products of this industry are intermingled indistinguishably with products already exempt from price control so that the compliance problems thereby created are altogether out of proportion to the economic significance of these items.

The products of the glazed- and fancy-paper industry aggregate not more than \$14,000,000 per annum, an amount small in comparison with the annual sales volume of the printed- and decorated-paper field.

The major uses of these products are as coverings, wrappings (loose or pasted), labels, bands, and seasonal wraps to be sold in connection with luxury items such as cosmetics, perfumes, candy, and jewelry. They form such an insignificant element of the cost of these products as to be wholly immaterial in the ultimate cost to the consumer. To apply to these items the customary argument that such small increments have measurable inflationary tendencies is to carry a sound consideration to an absurd extreme.

All of these reasons combined compel the committee to urge upon the administrator prompt and favorable action upon its recommendation in order that this substantial inequity, utter confusion, and unjust discrimination may be removed.

Very truly yours,
For the industry advisory committee.

ARTHUR A. THOMAS, *Secretary.*

BELMONT, N. C., *May 9, 1946.*

Senator ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee:

Regret very much will not be possible present statement to your committee as suggested your telegram May 3.

R. DAVE HALL STOWE THREAD Co.,
(Combed Sales Yarn Producers Industry Advisory Committee.)

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 2017

HIGH POINT, N. C., May 9, 1946.

Senator ROBERT F. WAGNER,
*Chairman, Senate Banking and Currency Committee,
Senate Office Building, Washington, D. C.:*

Thank you for your telegram of May 3d. I will submit statement tomorrow concerning pending legislation to extend price control for inclusion in transcript.

W. T. POWELL,
(Commercial and Public Furniture Industry Advisory Committee.)

DETROIT, MICH., May 8, 1946.

ROBERT F. WAGNER,
*Chairman, Senate Banking and Currency Committee,
Washington, D. C.:*

Respectfully urge committee consider clear fact that maintenance of present and installation many additional refrigerating facilities offer surest means improving utilization food crops pursuant program adequately feeding this country and unfortunates war-starved portions world. Enormous waste of perishable foods in field and every stage distribution can be minimized only by making available sufficient refrigerating equipment for food storage, processing, distribution and dispensing. Refrigerating equipment for commercial and industrial uses entirely capital equipment manufactured on highly competitive basis. This along with candid appraisal of commercial value by prospective purchasers furnishes fully adequate control on prices without Government intervention. Urge your committee regard status of refrigeration as so important to general health of all the people that any unnecessary hampering reestablishment of full production refrigerating equipment should be studiously avoided.

T. S. PENDERGAST,
*Ex-Chairman, OPA Advisory Committee on
Refrigeration and Air Conditioning,
(Commercial Refrigeration Condensing Unit Industry Advisory Committee.)*

CONSTRUCTION MACHINERY MANUFACTURERS' INDUSTRY ADVISORY
COMMITTEE OF THE OFFICE OF PRICE ADMINISTRATION,
Washington 4, D. C., May 6, 1946.

Senator ROBERT F. WAGNER,
*Chairman, Senate Banking and Currency Committee,
Washington, D. C.*

MY DEAR SENATOR WAGNER: This is in response to your telegram of May 3 asking for a statement as to the pending legislation to extend price control. As chairman of the Construction Machinery Manufacturers' Industry Advisory Committee, I feel that my authority to speak for this industry is limited to the effect of price control on this industry. I believe that there are varying opinions among the members of our industry as to the need for price control on items affecting cost of living. But I know of no one within this industry who feels that price controls on construction machinery are practical or effective as to the broad purpose.

I wish to submit specifically the following:

1. The principal reason for being of this industry is cost reduction applied to construction. We can only exist as we accomplish that end.
2. The effect on cost of living of price changes of construction machinery is negligible. Long-term depreciation of the machinery and of the structures that the machinery helps to create minimize the current effects of any price changes.
3. Construction machinery can be sold only to reduce construction costs.
4. The output of the industry is substantially above prewar.
5. There is sufficient competition within the industry to control prices, as well as in Government surplus stocks of construction machinery.
6. The complexities of the industry make intelligent price control administratively impossible.
7. The confusion and distraction of OPA controls divert executive attention from the natural problems of the industry, which includes principally that of controlling our own costs and prices, and of providing adequate production to meet market demands.

8. An active and solvent construction-machinery industry will be needed during the next few years to help meet the construction shortage and help provide employment in construction projects.

If Government will lift the shackles from us, we will help to pull the country out of the slough of despond and stagnation, and to effectively control inflation. To put it mildly, the present situation is alarming.

Sincerely yours,

W. B. GREENE,
Chairman, Construction Machinery Industry Advisory Committee.

NEW ORLEANS, LA., May 8, 1946.

Senator ROBERT F. WAGNER,
*Chairman, Senate Banking and Currency Committee,
Senate Office Building, Washington 25, D. C.:*

We favor the rigid control by the Government of commodity prices and wages during an emergency period such as war. The controls must be continued reasonably until production of each commodity on a profitable basis is restored sufficiently so that supply approximates demand. In the case of sugar the OPA has not been realistic and has since the war ended deprived consumers of a larger supply of sugar by preventing producers of raw sugar and direct-consumption sugar from realizing earnings which would encourage production through earnings. The producers of sugar in the mainland cane area favor a provision in the law which would require the OPA to recognize the earning position of the industry as compared to a base period actually representative of normal years of successful operation. The OPA should also be required to permit earnings on net worth and volume so that it will be possible for the sugar industry to utilize its maximum resources in production and to recover through price all costs of production in addition to a fair and equitable margin of profit.

R. M. MURPHY,
*Chairman, Continental Sugar Cane Processors Industry
Advisory Committee to the OPA.*

ST. LOUIS, May 7, 1946.

Hon. ROBERT F. WAGNER,
*Chairman, Committee on Banking and Currency,
United States Senate, Washington, D. C.*

MY DEAR SENATOR WAGNER: This will acknowledge receipt of your telegram addressed to me as chairman of the Contract Motor Carriers Advisory Committee of the Office of Price Administration with respect to a brief statement to be submitted concerning the pending legislation covering the extension of price control.

Our advisory committee held its last meeting on June 29, 1945, and at that meeting the question of relaxation from price control affecting our industry was discussed at length. At that time it was the unanimous opinion of those present that there be no discontinuance of control. Since that meeting is the last official action of the committee and since my unofficial contact with the committee since that time has not indicated any contrary viewpoint, I believe I am in a position to say to your committee that the contract motor carriers industry is not in favor of the elimination of price control at this time.

It is my personal opinion that so far as our industry is concerned, this whole problem of price control can and should be handled in a far more orderly process through the administrative function of the OPA than by legislative handling. Our industry throughout the period of OPA control, with the exception of the very early days, has always received prompt and justifiable relief whenever it has presented factual data in support of each application for such relief which was within the formulas set up to govern the granting of the increased prices.

We also feel that much credit is due to the personnel of the Public Utilities and Transportation Division of the Office of Price Administration, which division has been directly in charge of price control for our industry. Under the direction of Mr. Robert A. Nixon, as Chief of the Division and Dewey Wayne as his assistant and Chief of the Transportation Section, our industry has always found prompt and sympathetic consideration of our problems. Their qualifications and background in the specialized field of transportation has made it possible for the

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 2019

Division to intelligently make the necessary determinations as to the justification of relief in order that the applicants would know without undue delay when the relief requested was to be obtained.

I believe with the improved production schedules of motor vehicles that our industry is rapidly approaching the time when some form of decontrol can be safely inaugurated but even then I do believe that such decontrol should be exercised under certain contingent control which would still place the Office of Price Administration in the position to move in whenever evidence indicated that abuses might be taking place or any inflationary trend developing.

In closing, it is my sincere hope that your committee will see fit to permit the continuance of the OPA without restrictive legislation which would make their functions meaningless and to permit decontrols to take place in an orderly process yet at the same time properly protecting the public interests.

I do appreciate the opportunity to permit me to make this brief statement for the record and hope that you will find it of some slight assistance to your committee in arriving at their decision in this most controversial issue.

Very truly yours,

CHARLES P. CLARK,
Contract carriers, Industry Advisory Committee.

CHARLOTTE, N. C., May 9, 1946.

HON. ROBERT F. WAGNER,
United States Senate, Washington, D. C.:

As member of Corn Industry Advisory Committee and National Feed Distributors Committee, feel constantly increased Government regulations succeeding only in creating more black markets and lawbreakers. Therefore urge that all price and distribution controls be removed from grains and feedstuffs of all kinds.

C. F. MORRIS,
Corn and Feed Industry Advisory Committee.

NEW YORK, N. Y. 7, May 8, 1946.

HON. ROBERT F. WAGNER,
*Chairman, Senate Finance and Currency Committee,
Senate Office Building, Washington, D. C.:*

Referring your telegram, request following be inserted in committee record. "Believe certain OPA controls should be continued pertaining especially to housing, food, and clothing and other cost of living items. As far as general industry is concerned believe if industry advisory committee's case shows that decontrol would not be inflationary or result in substantial increases in price, ceilings should be lifted. Refer you to record of our conference April 5 with officials Chemical and Rubber Price Control Branch at which time we believed we had conclusively shown that decontrol all products of our industry would not result in price increases in most items because of adequate supplies and keen competition. Disappointed in partial relief accorded inasmuch as it favors minority of industry. Refer you to letter sent you yesterday." Appreciate your consideration and opportunity of making this statement.

HERMAN L. BROOKS,
Cosmetics and Toiletries Industry Advisory Committee.

LOCKPORT COTTON BATTING CO.,
Lockport, N. Y., May 6, 1946.

Senator ROBERT F. WAGNER,
*Senate Office Building,
Washington, D. C.*

DEAR SENATOR WAGNER: Your telegram of May 3 came to me asking for my opinion concerning extending legislation to extend price control.

Any sensible person must realize that price control has accomplished a lot during this World War II. However, plans which did successfully operate during the actual war period are now causing great difficulty and holding back the production of goods.

As an example, our company is attempting to produce in the textile field, the bedding field, and the building-supply field.

In all of these fields we are having difficulty in producing goods because of the shortage of supplies and insufficient labor to do the work. The labor situation seems to revolve on the fact that the unemployment-insurance administration of New York State is paying people who do not want to work, and will not accept jobs. People actually quit their jobs and brag that they will go and collect unemployment insurance, for they don't have to work, but will be paid for being idle. Certainly the New York State government has nothing to be proud of, supporting idleness as it is now doing.

In the cotton-insulation industry, unquestionably, competition would suffice to hold the price down, whether there were any price ceilings or not. Inevitably, whether price control is retained or is discontinued, the price of cotton insulation will go up somewhat due to the increase in the cost of raw materials as a result of Government edict. Either that or the insulation production will have to be discontinued.

From our knowledge of building materials and the contacts in the trade extending all over the United States, it appears that if all ceilings were taken off, there might be a price rise in some scarce materials for a few months, but in a short time, they would come down to normal competitive level.

If there is any way to avoid this short period of rise in price on scarce materials, of course, it would be beneficial to all of our public, if it could be worked out somehow with price control. However, the record of the OPA in promptly handling and settling cases, is so distinctly unfavorable to the prompt production of needed goods, that some plan will have to be made to insure prompt action in the increasing of prices whenever necessary to secure production. The scarcity of goods, if it continues, will result in greater inflation than we now have seen, unless sufficient production is secured.

Certainly rent should be kept under price control. Also some other very scarce items and articles should be controlled if it is found to be practical. It appears that if your study indicates price control continuance necessary, some definite provision should be made to see that prompt relief is given to those who must have higher price in order to continue the production of goods, with sufficient incentive to assure a real effort. Otherwise, if insufficient production continues, the problem will be worse than ever when time limit of the extended period is reached.

Sincerely yours,

T. D. COLE,
Cotton Textile Industry Advisory Committee.

SYLACAUGA, ALA., May 9, 1946.

Senator ROBERT F. WAGNER,
Washington, D. C.:

Retel appreciate opportunity to file statement for record, your committee. I appreciate constructive emergency efforts of OPA in past but believe that most of emergency in cotton textiles has passed and therefore that price control in textiles has outlived its usefulness and that OPA should be abolished. The board of directors of Cotton Textile Institute, of which I am chairman, passed following resolution in New York on April 24: "It is consensus of opinion of this body that OPA should be abolished entirely." Have highest regard for integrity of Administrator, but definitely the administration of OPA has completely bogged down and the agency cannot function. It seems clear that the longer controls over textiles continue the more vicious and extensive grow black markets, the more serious become the decreases in raw cotton consumption, and the more scarce become garments and household utilities from cotton textiles. As I see it, our only hope is to abolish controls and start all over again. Private management will cooperate.

HUGH M. COMER,
(Cottonweavers (subcontractors for tickings, work shirt chambrays, and coverts)).

RECORDS & GOLDSBOROUGH, Inc.,
Baltimore 1, Md., May 8, 1946.

Senator ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Washington, D. C.

DEAR SIR: The delay in answering your wire of May 3 was caused by getting the various members of the advisory committee together. The subject of your

wire was discussed, by each member, rather thoroughly and everyone, without an exception, came to the conclusion that the Office of Price Administration should terminate on June 30, 1946. Their reason is that they believe this branch of the Government has served its purpose, particularly, since it is being administered in such a slipshod manner, and has gotten in such a chaotic condition by permitting the increase in so many raw materials, and labor, that go into the finished product, without carrying the increased price through to take care of the finished product as well.

It was also concluded by our members that, if the Office of Price Administration was given a new lease on life, that lease should not extend beyond December 31, 1946, under any condition and, at the same time, that the law should be so amended that if it were necessary to adjust a price, to give the industry a legitimate return on its investment, that the Office of Price Administration would have to adjust that price within 30 days from the date the data, showing the necessity for an increase, was submitted and, if the adjustment was not made within that time, by the Office of Price Administration, then the increased price should, automatically, become effective.

Hoping that this will give you the necessary information, I am

Respectfully,

FELIX V. GOLDSBOROUGH,
*Chairman (Distilled Spirits Rectifiers),
 Industry Advisory Committee,
 Office of Price Administration.*

WESTINGHOUSE ELECTRIC CORP.,
Sharon, Pa., May 9, 1946.

HON. ROBERT F. WAGNER
*Senate Office Building,
 Washington, D. C.*

DEAR SENATOR WAGNER: As chairman of the OPA Industry Advisory Committee on Distribution Transformers, I appreciate very much the opportunity offered in your wire of May 3 to submit a statement concerning pending legislation to extend price control.

The current annual volume of the product with which this advisory committee is concerned is approximately \$50,000,000 and is principally manufactured by 12 companies. Distribution transformers are sold purely for industrial purposes—generally to electric utility companies.

Our committee has felt that the policy of the OPA, as exemplified by the slight price relief they have granted, is arbitrary to an extent which falls short of being fair and equitable.

Our advisory committee was organized and held its first meeting on October 27, 1945. After several meetings of the committee with OPA and the collection of a great deal of data on questionnaires, a modification of the price ceiling was granted by OPA April 10, 1946. The adjustment (estimated by OPA at 5.4 percent) was based on what we consider a very arbitrary OPA ruling, to the effect that for a group to qualify as an industry or segment of industry for price relief purposes, it is necessary that 30 percent of the product of that segment be produced by so-called single-line companies. These are defined as companies where at least 75 percent of their total sales are represented by the product involved.

Distribution transformers could not qualify as an industry on this basis, according to RMPR-136, Order No. 597, dated April 10, 1946, which allowed the increase in ceiling prices mentioned above. Quoting from this OPA order: "Since only a small percentage of the total volume of the industry is produced by single-line producers, maximum prices for these products which cover manufacturing costs will be generally fair and equitable." Thus the OPA makes no allowance for any profit.

In this same order, it is stated:

"These distribution transformers do not in any way enter into the cost of living and are sold purely for industrial purposes."

We certainly cannot understand why such an attitude should be taken, allowing no profit for the manufacture of an item which admittedly does not enter into the cost of living.

We believe that price controls on capital goods, such as distribution transformers, could be safely suspended at once without having any effect on the cost of living. On other items of capital goods where price control has been suspended,

there have been only moderate increases in price and, in our opinion, to continue this control on our industry represents an unreasonable waste of time in proportion to any benefit, real or imaginary, which may result. It imposes an undue hardship on any manufacturer of this product and if continued, represents a death sentence on those companies where this item is their principal product.

Very truly yours,
 W. W. SPROUL, Jr.,
 Chairman, Industry Advisory Committee on Distribution Transformers,
 Office of Price Administration.

MINNEAPOLIS-HONEYWELL REGULATOR CO.,
 Minneapolis 8, Minn., May 6, 1946.

HON. ROBERT F. WAGNER,
 Chairman, Senate Banking and Currency Committee,
 Senate Office Building, Washington, D. C.

MY DEAR SENATOR: Thank you very much for your telegram of May 3 inviting me as chairman of our industry advisory committee to submit a brief statement to your committee concerning pending legislation to extend price control.

I am not authorized by our industry to speak for or against such extension. I believe I am authorized, however, to suggest to your committee that it carefully investigate the amount of time which OPA consumes in studying an industry situation before any price relief is granted. I believe that if you would ask OPA to furnish you with the dates on which price relief was requested by various industries and the dates on which any price relief was granted, you would find that there was what might be termed "delaying action."

It would appear that Congress will extend the life of OPA. In that event, it is my personal belief that price control should be limited to those things which enter directly into the cost of living. In addition, I think that some provision should be made whereby OPA can handle more expeditiously any requests for price relief by the various industries. This delaying action has already seriously affected our industry and from my knowledge of other industries I believe that same thing is true.

Sincerely yours,

W. L. HUFF,
 Chairman, Domestic and Commercial Electric Control,
 Manufacturers' Industry Advisory Committee.

CHICAGO, ILL., May 10, 1946.

Senator ROBERT F. WAGNER,
 Chairman, Senate Banking and Currency Committee,
 Washington, D. C.:

Retel May 3 we realize that demand for goods exceeds present production and therefore subscribe to price control only until production approaches normal demand. The chief objection to present controls is the administrative delays and procrastination in making justified modifications of regulations to meet changing conditions. If Price Control Act is extended, we urge that Congress insert self-executing provisions for decontrol upon attainment of specified objectives or according to prescribed formula.

DOMESTIC LAUNDRY EQUIPMENT
 (MANUFACTURERS),
 B. J. HANK, Chairman,
 Industry Advisory Committee.

PHILCO CORPORATION,
 Philadelphia, Pa., May 9, 1946.

Senator ROBERT WAGNER,
 Chairman, Senate Banking and Currency Committee,
 Senate Office Building, Washington, D. C.

DEAR SENATOR WAGNER: This is in response to your invitation for a statement to the Senate Banking and Currency Committee regarding legislation to extend price control. I appreciate very much your invitation to make this statement and will be pleased to submit any additional data which you might request. My statement follows:

Composite opinion of refrigerator industry puts OPA as cause of today's major production restrictions. This has resulted in removal of competitive factors from which the public formerly greatly benefited in lowered refrigerator prices and better products.

Many reasonable and thinking people would be willing to accept a limited extension of OPA, since it has seemed to offer certain idealistic advantages through restraint of the greedy and selfish minority. Unfortunately, however, these advantages have not materialized. The greedy and selfish simply create new trade channels called black market and legitimate honest business becomes hopelessly cramped from the resulting diversion of goods.

In addition, the displacement of normal competitive standards has proved inconsistent with our American system of distribution. We, therefore, believe it will be wholly constructive to take the plunge now to break ourselves of this fear-some habit of price control. If we delay longer we are likely to find it impossible ever again to construct and maintain the system of true trade values which has always been our economic heritage.

We advocate the immediate and complete abolishment of OPA as being the lesser of two evils.

Very truly yours,

W. PAUL JONES,
*Chairman, OPA Industry Advisory Committee,
(Domestic) Mechanical Refrigerator Manufacturers.*

LANDERS FRARY & CLARK,
New Britain, Conn., May 6, 1946.

SENATE BANKING AND CURRENCY COMMITTEE,
Senate Office Building, Washington, D. C.

GENTLEMEN: As chairman of the Domestic Vacuum Cleaner Advisory Committee of OPA, I am pleased to make a brief statement concerning pending legislation to extend price control. The recommendation outlined herewith represents, I am sure, the conclusions of at least the large majority of the members of this committee.

I believe that maximum-price controls should be removed from any consumer's durable-goods commodity when more of that commodity has been produced and sold on a monthly basis for 2 months in succession than were produced and sold on a monthly average in 1941.

Such figures could be compiled by the Civilian Production Administrator and certified to the Price Administrator. The latter should then be required to take action in removing price controls when production and sales have reached the levels described above.

I believe such a principle would result in fair and equitable pricing for manufacturers, distributors, and dealers, and because of competitive influences due to the volume involved, would prevent inflationary or unreasonably increased prices to the public.

Respectfully yours,

B. C. NEECE,
Chairman, Domestic Vacuum Cleaner OPA Advisory Committee.

TACOMA, WASH., May 8, 1946.

SENATE BANKING AND CURRENCY COMMITTEE,
Senate Office Building.

(Attention Robert F. Wagner, *Chairman*):

Reurtel May 3. Based on our actual knowledge of how OPA is delaying production of standard items needed for reconversion and our experience of months and months of delay before definite action is taken, we strongly recommend that the OPA extension as passed by the House be approved by the Senate or, even more desirable, that the controls be eliminated. We feel that there should be a control on rents but on a more realistic basis and our reason for favoring this is because we do not see any elimination of the housing shortage as long as we are going to have strikes and other handicaps now delaying house building.

N. O. CRUVER,
Chairman, Douglas Fir Door Industry Advisory Committee, OPA.

PORTLAND, OREG., *May 10, 1946.*

HON. ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Washington, D. C.

Re tel reference pending legislation to extend price control. Naturally one is biased by effect on one's business and our business, namely, wholesale lumber business, has been almost entirely stopped due to fixed prices, guaranteed profits to retail distributors, and no controlled price on completed structure thus the greatest maldistribution in lumber history is taking place via retailers and contractors buying timber and sawmills and producers buying into or establishing retail outlets. It's safe to say 75 percent of such inter-controlled production being channeled into comparative few districts and through small percentage of normal outlets. This is result of fixed prices against an all-time demand and desire to secure last penny of the guaranteed profits of all branches of the industry. Personally feel that we must continue price control backed up by realistic action by OPA and a much closer honest cooperation with industry advisory committees than has been the experience of my committee, also very imperative that OPA have funds and personnel to curb black markets or price control on lumber products will in effect be off regardless of outcome of pending legislation.

W. R. FIFER,
Chairman, Douglas Fir Lumber Industry Advisory
Committee to OPA RMPR No. 26.

SAN FRANCISCO, CALIF., *May 7, 1946.*

HON. ROBERT F. WAGNER,
Chairman Senate Banking and Currency Committee,
United States Senate, Washington, D. C.:

This responds you telegraphic invitation make brief statement on behalf OPA dried fruit advisory committee for transcript. Opinion among committee is mixed but there exists strong sentiment for discontinuance of price control. This is particularly true in case of those commodities like dried peaches, pears, and apples, which even though presently in small supply are selling below ceiling prices with every indication that 1946 crop will likewise sell below ceilings. Pricing generally of dried fruits is complicated by maintenance of support prices payable to growers by Department of Agriculture and also by threatened disappearance export demand which during war was maintained through lease-lend purchases and requirements armed services. In absence of export demand abolition of price controls on prunes, apricots, figs, peaches, pears, and apples is believed justified by majority of committee when these fruits meet the OPA decontrol formula. Same would be true of raisins except for fear that vintners and distillers experiencing unprecedented demands for alcoholic beverages and having been deprived of grain as source of supply seem likely to raid 1946 California grape crop, including raisin varieties, unless restricted by quotas holding them to their normal utilization of such grapes. Industry experience during wartime programs leads to conclusion that difficulties suffered by industry do not relate to unsound pricing methods but were caused by unrealistic handling of problems of enforcement which resulted in serious injury to processors complying with program requirements with resulting great advantage to violators.

CHARLES W. GRIFFIN, JR.,
Chairman, OPA Dried Fruit Industry Advisory Committee.

NEW YORK, N. Y., *May 10, 1946.*

HON. ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Washington, D. C.:

In response to your telegram of May 3. Due to the rapidly changing production conditions in the dairy field, conditions which are becoming very serious, and in line with the resolution unanimously passed by the industry at the annual meeting of the American Dry Milk Institute held in Chicago in April of this year, this committee heartily concurs in the decision of the industry in which they ask that price ceiling and controls of all dairy products be eliminated immediately and allow normal price relationships to develop in a natural and orderly manner. This will do more than any one thing else to stimulate milk production which is

now running considerably under last year and present indications point to even a greater reduction during the remaining portion of the year if we continue under the present OPA program.

Respectfully,

CHAIRMAN,
Dry Milk Industry Advisory Committee to OPA.

EAST CENTRAL WOODEN BOX ASSOCIATION,
New Castle, Pa., May 7, 1946.

SENATE BANKING AND CURRENCY COMMITTEE,
Washington, D. C.

(Attention of Senator Robert F. Wagner, Chairman.)

DEAR SENATOR WAGNER: This letter is in reply to your telegram of May 4, addressed to me as chairman of Industry Advisory Committee, OPA, East Central Wooden Box Association. First of all, I must advise that I am or was only the secretary of that committee.

In a questionnaire dated April 19, which was sent to the 20 members of the East Central Wooden Box Association, the question was asked whether or not they deemed it advisable to eliminate price control in the wooden-box industry by eliminating second RMPR 195 entirely. There were 17 answers in the affirmative, 3 made no return.

We have reason to believe that the chaos in the lumber market and the lack of adequate production of lumber is and has been occasioned by OPA's perhaps well intentioned but none the less destructive interference with and breaking up of old-established marketing practices, and relationships between producers and consumers.

It has been our observation that absolutely none of OPA's regulations either original or amendments thereto have resulted in any increase in the production of lumber; if anything, quite the contrary is and has been the result. It is our considered opinion that these unsatisfactory results have been occasioned by OPA's tardiness in affording any form of price relief and in affording too little of it. The recommendations of knowledgeable, practical, and, of necessity, interested men in the lumber-manufacturing industry seemingly have been ignored to too great an extent too often.

OPA officials tell us that OPA as at present established by law is necessary to our continued existence. It is but common prudence then to ask whether this continued existence they talk about must contemplate past, present, and constantly growing shortages in practically all commodities, especially those commodities so essential to the welfare of our persons and of our business and our jobs. There is a preponderance of evidence that adequate production of most if not all essentials has not been and is now not possible under OPA as at present authorized and administered.

While the war emergency is past there is nevertheless enough uncertainty at present and which is apt to continue for a time to warrant the maintenance of some such an agency as OPA. The bill passed by the House although not perfect does provide for the necessary checks and balances on OPA, and to the extent necessary for price control and adequate production of essential commodities amply provides OPA with all the authority over the economic life of the country which can safely be vested in such or any Federal agency. Some minor modifications in it are perhaps indicated.

The fact should not be lost sight of that production and more production must be in evidence before there can be any sound economy or adequately maintained social welfare in this country. OPA by almost its every act has proven to be a brake on the realization of these paramount objectives. This brake must be loosened here and there.

Yours very respectfully,

T. C. POST,
East Central Wooden Box Manufacturers Industry Advisory Committee.

SOCONY-VACUUM OIL CO., INC.,
New York 4, N. Y., May 7, 1946.

HON. ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee, Washington, D. C.

DEAR SENATOR: In answer to your telegram of May 3, 1946, to me as chairman of the East Coast Fuel Oil Industry Advisory Committee to OPA, asking if I

desired to submit a brief statement concerning the pending legislation to extend price control, I have the following that I would ask you to consider.

The petroleum industry has demonstrated conclusively in many statements, reports, and briefs before governmental agencies that it can produce without waste sufficient crude oil and other raw petroleum materials to meet all of the foreseeable demands for petroleum and its products. It also has the equipment to manufacture these raw materials into the desired products. Therefore, it can be said without disputation that there is no bottleneck within the petroleum industry which would prevent consumers from being able to get all the petroleum products they desire in the nearby future.

The joint Crude Oil and Refinery Advisory Committees to the OPA advised it at the meeting in Chicago, May 3 and 4, as to the probable effects of suspension or decontrol of prices on petroleum. All of the effects were predicated upon provable cost increases not recognized in present ceiling prices which the industry would in a normal free economy have to recover in order to keep on a sound, current and future, basis. The report also clearly indicated that it was the expectations of those committees that the previously demonstrated competitive character of the industry would tend to keep any increases in prices to the minimum.

I would like to point out that in my opinion the petroleum industry is different from a great many of the industries which your committee may hear from in one vital respect. There is no pent-up demand for petroleum products. When users were denied petroleum products through rationing because of the war, these demands did not accumulate but were lost. Therefore the industry has only the problem of meeting the newly recreated day-to-day demands and the problem of being able to meet these is entirely different from those industries with deferred unsatisfied demands.

My conclusion from the economic studies I have made regarding the petroleum industry is that price control should be eliminated from this industry and the fact is that it should have been eliminated a long time ago. Only very small and necessary increases in prices should be the result. The continued imposition of controls will create conditions similar to those occurring during the past winter when emergency followed emergency and companies in the industry were forced to operate uneconomically and in many cases expend amounts running over a million dollars to provide customers with products which were made short by improper price ceilings and conditions resulting from Government control.

Yours very truly,

A. J. McINTOSH,
*Chairman, East Coast Fuel Oil Industry,
Advisory Committee to Office of Price Administration.*

PLANTERS MANUFACTURING CO., INC.,
Portsmouth, Va., May 6, 1946.

ROBERT F. WAGNER,
*Chairman, Senate Banking and Currency Committee,
Washington, D. C.*

DEAR SIR: In response to your telegram of the 4th instant I desire to make the following statement concerning the pending legislation to extend price control.

1. Price control appears to be inevitably necessary until production of goods meets the demand.

2. The present policies of OPA retard production instead of promoting production. In the eastern and central agricultural industry represented by the committee of which I am chairman, the lethargy of OPA in acting upon the committee's recommendations has resulted in some manufacturers going out of business and practically all manufacturers discontinuing many types of packages the manufacture of which resulted in losses. This committee made recommendations to OPA in November 1944 which have not been acted upon to this date, although costs have increased beyond the industry's ability to absorb since the last ceiling regulation issued March 13, 1944.

3. OPA has dogmatically used an operating period as a measurement for "profit control" which is not fair to the industry, refusing to take into consideration other factors involved.

4. Although OPA has increased the ceiling prices of vital materials used in this industry and wages have been forced up by lifting of stabilization rules, the lifting of which brought an avalanche of demands from labor unions, they have failed to recognize these increases in our requests for price relief.

5. Therefore if Congress believes the extension of OPA is necessary, the forthcoming legislation should provide a fair and equitable policy for price relief where necessary to promote production and not retard as the present policies of OPA do.

6. "No price control" is the lesser of the two evils between "No price control" and the present OPA as now constituted and operated.

Yours very truly,

GEORGE T. EWELL,
Chairman, Eastern Agricultural Containers Industry Advisory Committee.

THE CLARK CONTROLLER COMPANY,
Cleveland 10, May 6, 1946.

HON. ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
United States Senate, Washington, D. C.

DEAR SENATOR WAGNER: Subject: Extension of price control.

Replying to your telegram of May 6 addressed to me as chairman of the industry advisory committee of OPA, I am answering you personally with the following statement which is as brief as I can make it and still carry to you my thoughts on the subject.

Extend price control at least to the end of this year and make further extension possible if deemed necessary at that time.

Food, clothing, housing and any other items affecting living costs must be kept under price control.

Provide OPA with sufficient funds to increase their efficiency and to expedite their action which, at present, is much too slow.

Legislate severely extreme punishment for black marketeers and provide funds for enforcement.

Very truly yours,

THE CLARK CONTROLLER COMPANY,
W. H. WILLIAMS, *President,*
(Electrical and Mechanical Apparatus, Industry Advisory Committee.

T. J. MOSS TIE Co., INC.
St. Louis 2, May 8, 1946.

HON. ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
United States Senate, Washington, D. C.

DEAR SENATOR WAGNER: I am in receipt of your telegram of May 3 addressed to me as chairman of the Eastern Railroad Tie Industry Advisory Committee inviting a brief statement concerning pending legislation on the extension of price control.

The industry which our committee represents before the OPA produces railroad cross ties.

This industry has only one class of customer, the railroads, whose rates are fixed by the Government through the Interstate Commerce Commission. Since the cost of cross ties to the railroads represents a very small percentage of their total operating expenses, the price of our product may be said to have little or no effect on the everyday cost of living in this country.

Since our commodity is a product of the forest we compete in our production with other forest products industries such as lumber, pulpwood, etc. We are in daily competition with these other forest products industries for stumpage, labor, mill and woods equipment. Therefore, for us to produce the cross ties essential in keeping the railroads operating, our prices must be such as to permit us to compete in production with the other forest products industries. The number of customers which each company in our industry has is very limited and in some cases the company sells its entire output to one railroad, and I do not believe there are any companies who have more than 40 railroads to whom they sell cross ties. Most of the arrangements between the railroads and their tie contractors are long standing, some of them as long as 50 years.

It is the consensus of opinion among the members of the industry advisory committee, of which I am chairman, that the ultimate removal of all price control is essential to the welfare of the country. However, we believe that the elimina-

tion of all price control at this time would result in greatly increased prices and would be definitely harmful to the country.

Our committee feels that the price control law should be extended but that the extension should require the following:

First, that the decontrol policy be put on a sound and realistic basis by adopting the recommended decontrol policy contained in House Report No. 1677 which is the ninth report of the House Special Committee on Postwar Economic Policy and Planning.

Second, that OPA increase prices sufficiently to cover the increase in costs which have occurred in the various industries since their ceiling prices were established and that the steps necessary for industry to secure such price increases be made simple and expeditious.

There is no doubt that our second recommendation if adopted would result in increased prices. However, we would only be deluding ourselves if we thought that prices have not increased or that they are not going to increase. However, if prices were increased as we have above recommended, such increases would be controlled. We believe that the adoption of our recommendations will provide a sound basis for ending price control and will in the meantime greatly increase production which is the only real answer to our problem.

I appreciate very much the opportunity of presenting the above opinions and hope that they will be of some value in your committee's deliberations.

Yours very truly,

JNO. S. PENNEY,
Chairman, Eastern Railroad Tie Industry Advisory Committee.

CALIFORNIA WALNUT GROWERS ASSOCIATION,
Los Angeles, Calif., May 6, 1946.

SENATOR ROBERT F. WAGNER,
*Chairman, Banking and Currency Committee,
United States Senate, Washington, D. C.*

DEAR SIR: Responding to your kind invitation of May 3 to file for the record a brief statement concerning legislation to extend price control:

The time following receipt of your wire has not been sufficient to permit a complete or detailed canvass of all members of OPA's Tree Nut Industry Advisory Committee. However, I feel I can bespeak the unanimous sentiment of the membership in favor of not only decontrol of our own industry, but also the enactment of a practical and sensible formula in the law which will make mandatory the decontrol of any agricultural commodity when current production exceeds that of a prewar base period, after allowance is made for current exports by UNRRA.

During the past month, I have had considerable correspondence with a good majority of the members of the advisory committee in connection with the nut industries' price control problems. All expressed themselves most vigorously along the lines above stated. These industries comprise the pecans of the southern States, walnuts and filberts of Oregon-Washington, and the walnut and almond industries of California. Committee memberships include leading farmers and executives of the principal handlers.

The Gossett amendment to the House bill points to a satisfactory solution. We realize that in some respects this amendment may be defective, but the principle of mandatory decontrol when production of an agricultural commodity reaches a base-figure is sound. We urge you to make some such provision, and offer for your consideration several modifications in the interest of sound economics and administration.

First, increase the base to 110 percent of 1940 production, bearing in mind that there is no accumulated or pent-up demand for agricultural products as with many lines of industry. All that is necessary is to provide a nominal margin for increased population or other factor since 1940. The extra 10 percent is adequate for this purpose.

Second, specify for comparison with the base period, the current production based on the Secretary of Agriculture's official crop estimates, rather than the production of the preceding 12 months as now in the Gossett amendment and which really bears little relation to the supply-demand problem of the immediate future.

Third, subtract from the current supply the volume of a commodity which is committed for UNRRA export abroad. Some such provision is important with

export crops, which even though in large supply, might be short in domestic markets because of heavy shipments abroad.

While OPA is charged by others with being capricious, procrastinating, unsound in its pricing formulae and so on, we wish to register with the committee just one shortcoming which to us is sufficiently grave to justify immediate revocation of the entire price-control program on nuts. It is failure to control black marketing. The growing disregard of ceilings by chiseling operators has disrupted normal marketing and threatened the existence of the old-line law-abiding cooperative and commercial handlers. The industry feels it simply cannot tolerate the condition any longer.

Last month Senator Sheridan Downey of California asked the California Walnut Growers Association for a statement of its position. Attached is a copy, which we ask be made a part of the committee record along with this letter.

Thank you for requesting our views.

Yours sincerely,

W. C. TESCHE,
*Chairman, Edible Tree Nut Grower-Processor
Industry Advisory Committee, OPA.*

STATEMENT BY CALIFORNIA WALNUT GROWERS ASSOCIATION CONCERNING
DE-CONTROL OF MAXIMUM PRICING OF TREE NUTS

The Pacific coast walnut industry, of which over 90 percent is in California, has operated under Maximum Price Regulation 490 for three seasons. The regulation covers "edible tree nuts" and is, therefore, applicable also to almonds, pecans, filberts and miscellaneous other nuts.

The California Walnut Growers Association, in whose behalf this statement is submitted, comprises over 9,000 growers, who last year produced and marketed cooperatively 83 percent of the California merchantable walnut crop and nearly as large a proportion of the shelled walnut output.

Nothing in years has so seriously threatened the stability of the walnut industry as has the price control regulation. Continuance of control into the 1946 crop season would serve only to further break down respect for law and to seriously impair the industry's time-tested marketing machinery, without contributing anything of consequence to the stabilization program.

At the outset, it should be stated that there is no criticism of the maximum pricing that has prevailed. The price control legislation clearly states that prices set on such commodities as nuts, shall return at least parity to growers. OPA has observed this requirement scrupulously, and has advanced seasonal prices as parity has risen. Should control be continued next season, a further increase in nut prices would be required by this provision. In general, OPA has accorded the nut industries fair treatment, although delays in issuance of orders and the inadequacy of their provisions were costly annoyances, particularly during the first two seasons.

The evil lies in black marketing, and failure to enforce the order. Flagrant violations passed unpunished the first year; their number increased the second year; and by the third year there was nothing left but contempt for the regulation. The association and those other packers who have been living up to the letter of the regulation have done so simply out of a sense of patriotism or because they feared that while OPA paid no attention to the host of smaller violators, it was lying in wait to pounce upon a big one.

Numerous cases of violations have been reported to OPA, but so far as is known there hasn't been a single citation in the walnut business. All of the usual black market techniques have been employed by packers and shellers. Currency has been passed under tables. Relatives or confederates have been set up ostensibly as wholesalers or primary distributors to get the extra 10 or 15 percent mark-up over packer prices. Shipments have been over-billed (110 bags billed and paid for but only 100 shipped), and in a good many recent transactions there has been no effort to cover up. All of this relates to transactions at the packer level and disregards the countless violations at wholesale or retail, both witting and unwitting.

The result of this black market activity has reflected itself in field buying prices completely out of line with those contemplated in the law. While there are no ceilings at the grower level, the law contemplates that packers' ceilings be set at levels which will return parity prices to growers, after sales and processing costs are covered.

OPA has been generally successful in attaining this price objective to nut growers where operations have been legitimate. But with demand out-running supply, black market money has been used to pay excessive prices in the field—3 to 4 cents a pound more than can be justified by ceiling prices. A new breed of operators has come into the business. Their activities are forcing old-established ethical commercial packers to pay excessive prices in the field to get the tonnage to which they are committed in the trade. The result is a compounding of the disturbance.

The association is conceded by all hands—in Government, in the food industry, and even by its competitors—to have been the great stabilizing force and constructive influence in the industry. It sells at ceiling prices, deducts processing and selling costs and returns to its members the approximate parity prices which the law contemplates. Many nonmember growers, selling to black market operators or commercial packers who are forced to compete with black marketers for supplies, receive substantially higher prices. The result is what might be expected. Withdrawals from the association were excessive this year and will become increasingly so if the situation continues. All of this would be of no public concern if it were not for the fact that the association is an institution that must be preserved if the industry is to be maintained on a reasonably secure basis.

When a Government agency imposes restrictions, it becomes morally bound to enforce those restrictions in fairness to its law-abiding citizens. In this respect, OPA has been the most colossal failure in the Nation's history, with the possible exception of the prohibition amendment. The association argues, therefore, that unless OPA can enforce the nut order, it should suspend it. In 3 years there has been no evidence that OPA can enforce this order, and there is no indication that it will enforce it if it is continued.

Moreover, walnuts and the other nuts under RMPR 490 are not cost-of-living items, i. e., they are not necessities, and they exert no influence upon the rise or fall of the official indices comprised of the basic foods. For this reason, if for no other, the nut order might well be suspended at this time in the interest of simplification and concentration of energies upon more important matters if OPA is to be continued in any form.

In the event of decontrol of tree nut prices, 1946 crop packer prices will probably be increased 2 or 3 cents per pound to bring about a balance between supply and demand. Yet the average cost to the ultimate user will likely be changed very little if any, because the present average consumer cost is substantially above the level contemplated by the price order. This is true not only because of black market dealings at the packer level, but also because some wholesalers and many retailers merely disregard the order, and charge all the traffic will bear.

Continued price control of tree nuts will serve no useful purpose, but instead will further jeopardize the existence of those walnut marketing agencies, primarily the association, which have built the great walnut industry of the coast to its present magnitude. The lure of higher prices resulting from unchecked blackmarketing is such that numerous association members have not only cancelled their memberships or quietly "bootlegged" portions of their crops to others, but have actually suggested that the association itself take advantage of some of the illegal techniques. In the pecan industry, second largest of the tree nut industries, the largest distributing factors literally shut shop some months ago because of inability to purchase supplies in the field in competition with violators of the price order. The leading factors in the pecan and the other nut industries all favor discontinuance of price controls on tree nuts.

Thus have OPA's derelictions weakened the moral fiber of whole industries as well as the established and efficient distributive machinery. During the war period, the difficulties and risks appeared worth while. Today, continuation of controls similar to those imposed on the nut industries is not only farcical and unnecessary, but positively dangerous.

NATIONAL BATTERY CO.,
St. Paul, May 7, 1946.

MR. ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Washington, D. C.

DEAR MR. WAGNER: In reply to your telegram of May 3, I feel that it is somewhat difficult to make many definite statements pertaining to OPA without taking into consideration other governmental departments and policies.

One considers the Government as a unit and it is most difficult to conceive of the reasoning behind the establishment of a division such as OPA and charge it with the problem of keeping costs down, where other divisions of the same Government pass and permit labor and wage laws to create a definite opposite result. The most perfect formula for creating inflation is to foster or permit labor turmoil and at the same time create increased purchasing power by supporting increased wages.

Sometimes one wonders whether OPA is functioning under Government regulations or carrying out the ideas of one individual. The actual results of many acts of OPA have been so unreasonable and unsound that the thinking public cannot help from not only being bewildered and confused, but in some cases thoroughly conscious of the illogical and unsound results.

From reading of the records one would gather that industries that can afford political pressure, lobbies, and months of strike can get results that other companies with similar problems have to bear due to their lack of experience, finances or ability. No agency is sound unless everyone with similar situations is given the same treatment at the same time.

OPA has granted many of our suppliers increases which our industry has had to absorb 100 percent, and to date the battery industry has not received a single increase of any nature since OPA went into effect.

It should not be necessary to point out that during the past 4 years everyone in business has had substantial increases, and why a simple automatic formula could not be applied simultaneously to all industries is quite a question with me, rather than to force everyone to prove what is so logical, and unless they are large enough to attract the proper attention, they are either disregarded, postponed, or stalled.

I feel that OPA possibly in a normal postwar period could and should serve a justified part in our economy. However, where many decisions to date of OPA have been handed down on such an illogical basis and to a relatively few industries, it seems that its elimination at least would put everyone on a par.

There is no substitute for the law of supply and demand, and unless all Government agencies focus on the same problem, it seems criminal to permit OPA to fight not only the public but other Government departments.

With the steps taken by our Government to date there is no question but what we are headed for real grief, which can only be checked by production, and if OPA is removed there may be a relatively short period when certain items will be out of hand. However, with a careful check today one will find that with OPA there are many items out of line without any great public criticism.

Take OPA's action, for instance, on rents. Wouldn't it be far sounder over a few years' period for people to pay increased rents rather than to be forced to pay from 100 to 300 percent more for property. There is no question but what the principal factor creating today's abnormal real-estate-property values is due directly to the fact that rents are frozen.

As frank as one is to criticize, in order to be fair we must realize the terrific problems of OPA. However, their problems could be far more effective and much simplified if they would automatically permit industry to follow to some degree the trend without forcing industry to receive absolutely nothing until they have fought a terrific battle and convinced a small group of people that their costs have materially increased.

I feel that if OPA could adopt a policy granting everyone that has not received relief since OPA became effective a flat 15 percent, their problems would be greatly minimized and their soundness and purpose somewhat justified.

As long as the Government permits labor to continuously harass industry, they should be fair enough to free industry's hands to cope with the individual's problems as they occur.

Very truly yours,

A. H. DAGGETT,
Electric Storage Battery Industry Advisory Committee.

NESTLÉ'S MILK PRODUCTS, INC.,
New York 17, N. Y., May 9, 1946.

The Honorable ROBERT F. WAGNER,
The United States Senate, Washington, D. C.

MY DEAR SENATOR WAGNER: I want to acknowledge and thank you for your telegram of May 3, reading as follows: "Senate Banking and Currency Committee will be pleased to include in its transcript any brief statement you may desire

to submit concerning pending legislation to extend price control. Statements must be received on or before Friday, May 10," and in accordance with your invitation I am very glad to attach a statement which I have prepared after consultation with the other members of the OPA evaporated milk industry advisory committee.

Yours very truly

D. F. NORTON.

Chairman, OPA Evaporated Milk Industry Advisory Committee.

STATEMENT OF INDUSTRY ADVISORY COMMITTEE OF OPA FOR EVAPORATED MILK
SUBMITTED TO THE SENATE BANKING AND CURRENCY COMMITTEE

The industry advisory committee of OPA for the evaporated milk industry, in response to the telegram dated May 3 of the chairman of the Banking and Currency Committee of the United States Senate, respectfully submits the following statement:

We have no quarrel with the basic theory of price control as an essential wartime measure—like prohibition, it is a "noble experiment," but also like prohibition it has failed to accomplish its purpose. At the outset it failed to control all factors which enter into costs, and its subsequent administration has been inefficient and ineffective.

The selling price of evaporated milk established in December 1942 was based on alleged cost factors which officials of OPA later admitted were incorrect and below actual certified costs. Immediate appeals by this industry for relief were not acted upon and in effect denied. Since December 1942 all evaporated-milk manufacturing costs have steadily increased, and many additional appeals have received no action. Today the industry losses are so heavy that there has been drastic curtailment in the manufacture of a product which has historically provided maximum nutrition at minimum cost.

The position of our industry was well stated in a statement submitted by Mr. Walter Page, the evaporated milk member of the dairy industry committee, before your committee on May 3, 1946. We desire to go on record as approving and endorsing the remarks made by Mr. Page in their entirety.

A brief review of our experience with OPA is as follows:

In July 1942, when the price to the farmer was \$1.80 per hundred pounds of fluid milk, the selling price of evaporated milk was \$3.65 per case. On December 30, 1942, OPA fixed the evaporated milk price ceiling at \$4.10 per case, based on a price to the farmer of \$2.46 per hundred pounds of fluid milk. Actually the price to the farmer for fluid milk during December 1942 averaged \$2.55 per hundred pounds. Since then the price of fluid milk has increased to \$2.75–\$2.80 per hundred pounds, and in addition the cost of labor, packing supplies, in fact every item going into the manufacture of a case of evaporated milk, has increased substantially.

During January 1943 an appeal to OPA was made for relief and in March 1943 the industry met with OPA and again plead for relief from the ruinous situation which confronted it. Late in May 1943, OPA approved an increase of 15 cents per case for evaporated milk, which was to become effective June 2, 1943, but that increase was denied by the Office of Economic Stabilization, and never became effective.

To compensate for failure to relieve the industry, the Government buying agencies, Quartermaster and War Food Administration, were permitted to pay the full ceiling price to manufacturers on an f. o. b. plant basis, which made a net difference of 26 cents per case. This indirect subsidy extended some relief because approximately 50 percent of the production was sold to the Government, but Government agencies ceased purchasing evaporated milk during August 1945.

Soon thereafter, Mr. Chester Bowles addressed a letter to a member of the industry, from which the following is quoted:

"To compensate for the removal of the special support which had been extended through Government agencies for the continued inadequacy of the established ceiling on civilian sales, it is recommended that the price ceiling on evaporated milk be raised immediately or that such ceiling prices be suspended forthwith."

The committee held meetings, called by OPA, in June and July 1945, at which the question of a price increase for evaporated milk was discussed and strenuously urged. Thereafter the question was periodically raised with OPA, without results.

The most recent meeting of the committee with OPA was held on April 16, 1946. At this meeting for the first time the industry was informed that OPA had a directive from the Office of Economic Stabilization, which required them to take

into consideration a price to the farmer not in excess of \$2.65 per hundred pounds of fluid milk, as the cost of fluid milk in establishing the ceiling price of evaporated milk. Because of competitive conditions and prices of other dairy products, it is necessary for the manufacturer to pay at least \$2.80 per hundred pounds of fluid milk, in order to keep the plants in operation.

If the manufacturers inform the farmers that they could not pay more than \$2.65 per hundred pounds of fluid milk, it would result in not receiving sufficient milk to operate the plants. The fact that OPA, in establishing a maximum price of evaporated milk, is bound by an arbitrary allowance for fluid milk, the principal cost factor, creates an extremely unfair situation, which is contrary to the statement of OPA policy, presented by James F. Brownlee before the House Banking and Currency Committee, April 14, 1944, reading—

“Our interpretation of the provision that ceilings must be generally fair and equitable—stated in its broadest terms—is that we must ordinarily make a general price increase when the return to an industry falls below that which it earned in a representative peacetime period.”

The failure of OPA to administer a fair policy has resulted in a tremendous monetary loss to the evaporated milk industry, is disrupting production, and is depriving consumers of an adequate supply of a nutritional food for infant feeding and general needs.

To correct this situation, the evaporated milk advisory committee of OPA urges you to remove dairy products from price control or require OPA to immediately raise ceiling price to a level that will give manufacturers a return, based on present production costs, equal to that of the base 1936-39 period.

BOSTON, MASS., May 9, 1946.

HON. ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Washington, D. C.:

At outbreak of war I did not favor price control. Remembering long years of depression, felt that those with goods or services to sell should be allowed benefit from sharply higher values. Later became clearly aware of benefits and stability price control brought. Now, with war ended and rationing discontinued, it fails without complete control and effective enforcement. It won't work, it is not working, Government realizing farmers won't sell at ceiling in quantity bids 30 cents premium wheat and corn for export. Poultry and dairy interests in deficit areas East and West unable to compete to secure urgently needed supplies, face drastic liquidation and perhaps disaster. This will later cause extreme shortage milk, eggs, poultry. With famished Europe competing for our limited suppliers, foodstuffs are not prepared. Recommend complete abandonment all controls. Inequalities must be adjusted. However, feel that complete removal of ceiling on corn would stop excessive feeding hogs, would move corn, as corn resulting in lessened demand and eventually lower prices on grain substitutes for corn.

A. S. MACDONALD,
OPA (Farm and Dairy) Industry Advisory Committee.

BROOKLYN 32, N. Y., May 6, 1946.

SENATOR ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR WAGNER: Answering your telegram of May 3d relative to legislation to extend price control, would advise as follows:

Production and more production, with employment at good wages for productive work, high efficiency of production, conservation of waste and the lowest possible prices consistent with efficient costs and a moderate profit, is the American way to avoid inflation and to employ our veterans and other workers.

Controlling prices below reasonable cost has greatly retarded production and reconversion and threatens thousands of the smaller independent business concerns. A realistic continuation of price control, which will insure prompt adjustment to cover efficient costs and a moderate profit, would help the country, prompt reconversion, enable the Wage Stabilization Act to function in the best interests of the worker and the producer, and help to hold the line against inflation.

Congress should provide assurance of prompt action by OPA on hardship cases and provide for decontrol, industry by industry, as soon as supply and demand approach a safe balance. OPA did a magnificent job in holding prices during the war and can render a valuable service to protect us against inflation and to safeguard the independent smaller businessman and industry.

Very truly yours,

HERBERT L. CARPENTER,

Chairman, Fibre Drum and Pails Industry Advisory Committee to OPA.

P. S.—Kind personal regards for old times' sake.—H. L. C.

H. P. HOOD & SONS,
Boston 29, Mass., May 7, 1946.

Senator ROBERT F. WAGNER,

*Chairman, Senate Banking and Currency Committee,
Senate Office Building, Washington, D. C.*

DEAR SENATOR WAGNER: In response to your telegram of May 3, I am pleased to submit a brief statement of my views concerning pending legislation to extend price control.

My experiences with price control under OPA have all concerned the maximum prices on milk and dairy products. In this field, there are now at least three major problems which can be attributed entirely to the operations of OPA. These problems are not being met at the present time and there is apparently no inclination on the part of the OPA or the Office of Economic Stabilization to consider a constructive solution for them.

The first of these three problems is that of milk production. Milk production in this area has been running more than 10 percent below the same month a year earlier for the last 5 months. It began its downward trend in September. With increasing feed shortages and labor shortages dairy farmers must have a higher price if they are to continue to produce at the same or a higher level.

Here in New England and New York, there are two additional aspects of the production problem which so far have been completely ignored by the OPA. One of these is the necessity for adjusting prices in fluid milk areas so that sufficient milk will be produced locally to meet the high level of consumer demand for milk and dairy products. Many of the eastern milksheds must be expanded in order to provide sufficient milk for their expanded populations at the new levels of consumption, which, everyone agrees, should be maintained. The other aspect of the problem is the seasonality of production. In all major eastern milksheds there has been a tremendous swing during the last 5 years in the direction of higher and higher May and June production and lower and lower November and December production. Pleas and petitions on these problems apparently fall on deaf ears.

The second major problem under OPA has been our experience with attempts to obtain relief on commodities on which we have been forced to take direct out-of-pocket losses. We have received no price relief from OPA without going through the most expensive type of prolonged negotiation or without appealing directly to New England representatives in Congress to get for us a sympathetic hearing. The first tragic experience was with fluid milk in the spring of 1943. Our more recent ones have been with fluid cream, ice-cream mix, and cottage cheese. In each of these cases our applications for relief have been thrown back time and time again because of some technicality which apparently existed. On cottage cheese, for example, with the winter fluid milk shortage, we had to obtain this product from other sources rather than produce it ourselves. We had to pay 17 cents per pound for the product whereas our resale ceiling was 15 cents per pound. Yet we were denied relief and have as yet had no relief because relief apparently is granted only to a manufacturer. On ice-cream mix, our case for relief appeared to be complete and fully justified until it was discovered that our price was already equal to or above some area-wide median or average, despite the fact that we could discover no ceiling price in Boston or in Massachusetts or in New England, for that matter, below our price. On fluid cream, we were forced to sell the product at a price lower than our direct cost for the raw material in carload lots until our New England Congressmen helped us secure a small measure of relief. This type of treatment of industry must be discontinued and guarded against.

The third major problem under OPA has been the unusually heavy subsidies being paid to milk producers. These subsidies are not as effective as direct market prices in encouraging production. They are not as effective in encouraging a sound seasonal pattern of production. They are holding retail prices at an artificially low level and therefore stimulating an artificial level of demand. Neither the industry nor producers are able to determine at this time just what the future holds in store because there is no experience available to them regarding consumer demand at market prices equivalent to the present level of producer prices. The industry cannot move forward with any confidence or on any sound basis until there is more assurance regarding the real nature of consumer demand and regarding the future subsidy policy. Many speeches and articles from Washington have led the industry to believe that a policy of subsidy abandonment would be started this spring. Instead, we find that Mr. Bowles on April 15 directed a still further increase in the producer milk subsidy.

The only sound conclusion possible from these experiences is that price controls must be removed from dairy products as soon as possible in order to prevent the further development of a situation which will take years to solve.

An alternative might be a rather drastic revision of the OPA Act and an even more drastic reversal of OPA operating policies under the act so that a practical and enduring form of price control might continue for another year. Those of us who have worked closely with OPA on dairy problems, however, simply cannot visualize the complete reversal of OPA operating policies which would be necessary in order to make this alternative a practicable one. We can only conclude, therefore, that the best interest of dairy farmers, the dairy industry, and in the long run, the American people would be served by abandoning price control on dairy products on June 30, 1946.

I appreciate greatly the opportunity to give you my thoughts on this important matter and will be glad to elaborate on any of the points I have made if you feel that further information would be helpful.

Very truly yours,

DON N. GEYER,
Fluid Cream Industry Advisory Committee.

STATEMENT TO SENATE BANKING AND CURRENCY COMMITTEE BY E. B. LEHRACK,
CHAIRMAN FLUID MILK SHIPPING CONTAINER OPA INDUSTRY ADVISORY
COMMITTEE

The fluid milk shipping container industry is comprised of eight principal manufacturers, namely:

Atlantic Stamping Co., Rochester, N. Y.
Buhl Manufacturing Co., Detroit, Mich.
The Creamery Package Manufacturing Co., Chicago, Ill.
Geuder, Paeschke & Frey Co., Milwaukee, Wis.
Keiner Williams Stamping Co., Richmond Hill, N. Y.
Sheet Metal Specialty Co., Pittsburgh, Pa.
Solar Sturges Manufacturing Co., Melrose Park, Ill.
Superior Metal Products Co., St. Paul, Minn.

All of these manufacturers are represented on the OPA Industry Advisory Committee. This group of manufacturers manufacture practically all of the milk cans used by the dairy industry in the United States. During the war period this industry cooperated to the fullest possible extent in the war effort. The difficult problem was presented to them by the Department of Agriculture and War Food Administration of making available for the dairy program, approximately 50 percent more milk cans than were normally produced and the War Production Board presented the problem of accomplishing this while, at the same time, economizing on the use of steel and tin. Both of these objectives were accomplished to the satisfaction of both agencies. We are proud to have been complimented repeatedly on the accomplishment by these agencies.

The need for more milk cans by the dairy industry is still acute and obviously will continue to be acute in the foreseeable future; that is, certainly for the next 2 or 3 years. Many areas are presently in dire need of milk cans to handle fluid milk shipments and deliveries.

In the case of our own company the relationship of cost to OPA price ceilings is definitely an unsatisfactory one and I am informed by the other members of the committee that the same situation prevails in their companies. It is, therefore, entirely possible that unless the OPA can provide very quickly reasonable means

for price-ceiling relief, the production of cans will not be adequate to meet the needs and much milk may be wasted for want of containers to handle it promptly. Present OPA controls are not practical in connection with influencing increased production when an industry faces losses since the length of time needed to make adjustment is unbearably long and the criteria on which they base their judgment bears little relation to our long-established business practice. Selling prices were frozen at a level based on much lower production costs and the total of present costs compared with that period is not given adequate consideration.

The very nature of this industry's business and the character of the companies engaged in the essential supply of such a stable commodity as milk cans for upward of 50 years on a highly competitive basis is reliable assurance that no danger of run-away prices would be involved were price ceilings abolished completely or suspended for this industry.

In any event, the standard milk can holds 40 quarts and lasts on the average, nearly 10 years so that the hundreds of trips they make result in transportation costs that are so low that the influence of the unit cost of a can is immeasurably small as a factor in milk delivery cost. (A price increase of 20 percent would be measurable only in thousandths of a cent per quart).

I am sure you gentlemen realize that without profit motive, goods do not flow to the market. The Advisory Committee to OPA for the fluid milk shipping container industry has urged and continues to urge the suspension of all price control, at least so far as this industry is concerned, and that this should take place immediately in order that a sufficient profit be returned to the manufacturer to promote the flow of these badly needed cans to the market.

We will appreciate the efforts of your committee in bringing about the desired result and we are sure the entire dairy industry will agree as to the reasonableness of our position.

FLUID MILK SHIPPING CONTRACTOR OPA INDUSTRY
ADVISORY COMMITTEE,
E. B. LEHRACK, *Chairman*,
By W. B. THOMAS, *Secretary*.

THE FOLDING PAPER BOX INDUSTRY ADVISORY COMMITTEE
OF THE OFFICE OF PRICE ADMINISTRATION,
New York 17, N. Y., May 7, 1946.

HON. ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Washington, D. C.

DEAR SENATOR: In reply to your telegram, please be advised that the Advisory Committee for the Folding Paper Box Industry is in favor of extending the Price Control Act with an amendment, permitting industry to compute its prices based on actual acquisition costs or ceiling prices of materials and actual labor costs.

This industry was frozen to its pricing practices in October 1941, the freeze period of RMPR 187. Since that period the industry has been harnessed with an increase of about 40 percent in the average hourly wage rate, and about 15 percent in cost of raw materials, in addition to increases in other elements of manufacturing cost.

This industry has been granted no relief since the enactment of the Price Control Act and every recommendation of this committee for relief has been rejected, with the result that long-established supplier and customer relations have been disturbed, and, in many instances, such relations have been severed. This situation has neither benefited the stabilization program nor the industry.

OPA can still retain control of prices by controlling margin and overhead factors. Such a policy would grant some measure of relief to industry and would be consistent with a policy of gradual decontrol.

Respectfully yours,

FOLDING PAPER BOX INDUSTRY ADVISORY
COMMITTEE OF THE OPA,
WILLIAM W. FITZHUGH, *Chairman*.

AMERICAN MACHINE & FOUNDRY CO.,
New York 17, N. Y., May 9, 1946.

HON. ROBERT WAGNER,
*Chairman, United States Senate Committee on Banking and Currency,
Senate Office Building, Washington, D. C.*

MY DEAR SENATOR WAGNER: In response to your telegram of May 3, I wish to advise that I appreciate the opportunity of submitting a brief statement on behalf of the Food and Tobacco Processing and Packaging Machinery and Equipment Manufacturers Industry Advisory Committee, setting forth its views concerning pending legislation to extend price control.

The Committee is cognizant of the need for holding down living costs in the present transitional period and as a consequence feels that every facility should be placed at the disposal of members of the industry to enable them to operate prudently under present-day conditions, in order to afford food and tobacco processors every mechanical aid that can be placed at their disposal to assist them in their efforts to hold down costs.

The industry for which the Committee is acting in an advisory capacity on behalf of OPA would be encouraged by price decontrol to make available to food and tobacco processors every piece of machinery and equipment possible. When it is realized that the machinery built and sold by the industry is long-lived, the effects of an increase in cost would be infinitesimal, in fact, hardly identifiable in the cost of production of the users of equipment. The element of increased cost that would be incurred in current operations would be the depreciation charges on such increased cost. In a study made not long ago, the basis of which was an average of 12½ years' life for the type of equipment used by the processors served by the industry, it was estimated that a 20 percent increase in selling price would only be equivalent to two one-hundredths of 1 percent of the \$2,000,000,000 annual value of bakery products sold.

The food and tobacco machinery industry by the ingenuity of its engineering contributions have made it possible in the past for the tobacco and food industries to serve the public at a low level of cost. That type of engineering is again needed to bring out the improved equipment that the processors require. In view of the tremendous increase in hourly cost of operation that the equipment industry has had to bear since 1941, it is not prudent for it to carry on its developments under present ceiling limitations. Inasmuch as all such equipment is purchased on the basis of its fundamental economic value to the processor, it is felt that the interests of OPA would be best served if complete freedom were afforded to the manufacturers of the equipment aforesaid by extending to them decontrol of pricing.

The legislation in question should make it mandatory on OPA to extend such price decontrol if the OPA is to be continued and its efforts made successful toward holding down the cost of consumer items.

I have not been able to communicate with the other members of the Committee in time to reply to your wire. However, from personal knowledge of the views of the others, I am confident that the expressions herein above set forth correctly reflect the opinions of the other committeemen.

Respectfully submitted,

D. H. HAYNES,
*Chairman, Food and Tobacco Processing and Packaging Machinery
and Equipment Manufacturers Industry Advisory Committee.*

THE ESTERBROOK PEN CO.,
Camden, N. J., May 8, 1946.

HON. ROBERT F. WAGNER,
United States Senate, Washington, D. C.

DEAR SENATOR WAGNER: Responding to your telegram inviting submission of a statement concerning pending legislation to extended price control, the Fountain Pen and Mechanical Pencil Manufacturers Association, by authority of their executive committee, recommend the elimination of these items from price regulation for the following reasons:

1. Fountain pens, desk sets, and mechanical pencils are not cost of living items. Their purchase and the price paid is optional with the buyer, governed solely by his personal preference and not at all by compulsion of any sort.

2. At no time has the market been without supplies. During the war popular brands have been unavailable to civilians due to military requirements which no longer exist. Surplus inventories are now in the hands of the War Assets Administrator for disposal.

3. Supply is substantially in balance with demand. Rationing of dealers, which was prevalent during the war, has been largely discontinued.

4. Regulations now in force do not bear with equal weight on all manufacturers. Those with a favorable price structure in the base period (March 1942) are benefited over those whose March 1942 prices are not profitable at present-day costs. This condition tends toward monopoly, and the stifling of free competition.

5. A large proportion of the industry is made up of parts manufacturers and assemblers. Established parts manufacturers are bound by controlled prices. A new parts manufacturer is not under price control. This operates to the disadvantage of the established manufacturer who can produce efficiently at minimum costs, but who is denied the opportunity because his controlled selling prices will not cover his current costs.

6. A new assembler buying parts from a new parts manufacturer is allowed prices by the OPA based on current costs. Old assemblers and parts manufacturers are bound by a price pattern. A striking example of ridiculous pricing under these regulations is a new assembler R (using parts from new producers), whose first 6-month sales were over \$5,000,000 with a profit before taxes of \$3,500,000 or 63 percent (Dun Report).

A free competitive system devoid of price control would lessen the opportunities for similar experiences which can thrive only under conditions of limited supply.

7. New items: A new manufacturer is allowed to price according to current costs. Old manufacturers must price new items according to 1942 direct costs and are allowed only the same dollar (not percentage) mark-up to cover indirect costs and profit as applied to the next of kin in their 1942 line. This procedure restricts existing plants from producing in normal competition and tends to shorten the supply.

8. An important instance proving that price control has shortened supply is seen in the pricing of pen points produced for sale to fountain-pen manufacturers. In 1941 * * * 75 percent of all fountain pens were assembled with purchased pen points. Of these pen points some were tipped with hard point material, but the majority were untipped and were used for the more popular priced fountain pens.

The OPA froze nib prices at the 1942 levels. The untipped nibs which were highly competitive in the prewar period were bound by a price which made their production impossible.

The OPA denied application for price increase on these untipped nibs of less than one-fifth cent each, prohibiting their production and throwing the entire load over to tipped nibs where the capacity is totally inadequate and incapable of rapid expansion. This lack of nibs prevents the production of popular priced fountain pens, which can and will be made when nibs are available.

Conclusion: The most effective price control is maximum production. Maximum production is most quickly obtainable from established plants with adequate equipment and experienced personnel. Existing price regulations which have strangled such plants should be removed or amended to permit free and open competition.

Very truly yours,

A. G. FROST,
*Chairman, OPA Advisory Committee,
Fountain Pen and Mechanical Pencil Manufacturers Association.*

NEW YORK, N. Y., May 9, 1946.

ROBERT F. WAGNER,
United States Senate, Washington, D. C.

This is a correction on message sent you May 7: "Our committee believes (1) OPA control should be eliminated on all manufactured goods and on other products as soon as production equals the June 30, 1940-June 30, 1941, production level otherwise control will tend to last forever, (2) OPA control should be continued for a limited period on rents and products not qualifying under (1) above, (3) subsidies should be eliminated, (4) OPA should be forced to allow a reasonable profit on each item manufactured but cost should be estimated based on normal production if productin rate was low, (5) OPA should be forced to process each application within 30 days otherwise applications should be automatically granted and not

subject to later review. We further believe that the limitation of price control under the conditions named above would benefit the economy of the country instead of hurting it. We feel that the administrative changes recommended would facilitate intelligent price control while it was in effect."

H. R. WEAVER,
Chairman (Fourdrinier Kraft Paperboard) Industry Advisory Committee.

LOS ANGELES, CALIF., May 7, 1946.

ROBERT T. WAGNER,
*Chairman, Senate Banking and Currency Committee,
 Washington, D. C.:*

Following your wire request I am submitting following statement as chairman, industry advisory committee but not on behalf of committee because time does not permit of clearance. Would support Gossett Decontrol Amendment as approved by the House. However, believe present production might take into consideration increase in population compared to base period. Further believe a 5-year base period just prior to World War II more satisfactory than 1-year period. This particularly true in case of perishable crops which fluctuate rather widely from season to season regardless of acreage fluctuation. Decontrol on perishables must come as rapidly as possible to encourage full production and to wipe out malpractices which now very prevalent and which costing consumers considerable money through lowering of quality and through tie-in sales prices.

F. R. WILCOX,
Fresh Citrus Industry Advisory Committee.

HON. ROBERT F. WAGNER,
*Chairman, Senate Banking and Currency Committee,
 United States Senate, Washington, D. C.*

SIR: In your telegram to me of May 4 as chairman of the Fresh and Frozen Fish Industry Advisory Committee to OPA, you stated that your committee would be pleased to include in its transcript a brief statement from me concerning pending legislation to extend price control. As chairman of the above committee I submit the following statements for the transcript.

The Fresh and Frozen Fish Industry Advisory Committee is definitely opposed to the extension of price control on fresh and frozen fish and shellfish. Its opposition is based on these facts—

1. Price ceilings on fresh and frozen fish and shellfish are curtailing production, restricting processing and distributing operations, limiting jobs, and in the committee's opinion, forcing consumers to pay more for these products than would be the case without price control.

(a) In 1943 when OPA was considering placing prices on fresh fish, fishermen were drastically opposed. Now fishermen are wholeheartedly in favor of extension of price control. Ceilings have become floors. Fishermen are already controlling the amount of certain species that shall be landed and have instituted share-the-work programs so that prices will hold at ceilings.

(b) Noncontrolled species of fish such as porgies, mackerel, and others, have this spring sold ex-vessel at 150 percent below the price paid for these same species in the spring of 1945. This indicates what the price trend would be if ceilings on controlled species were removed.

2. The supply of seafoods has been and is more than adequate to absorb the demand. This has been so even though supplies of other animal protein foods (meat) have been inadequate for some time.

(a) Frozen fish inventories, as reported by the Fish and Wildlife Service, have shown a tremendous increase over the past several months in comparison to a year ago and the 5-year average:

Date	1946	1945	Increase	Date	1946	5-year average	Increase
	<i>Pounds</i>	<i>Pounds</i>	<i>Percent</i>		<i>Pounds</i>	<i>Pounds</i>	<i>Percent</i>
Jan. 1.....	140,000,000	110,000,000	28	Jan. 1.....	140,000,000	99,000,000	41
Feb. 1.....	115,000,000	79,000,000	47	Feb. 1.....	115,000,000	78,500,000	46
Mar. 1.....	99,000,000	53,000,000	87	Mar. 1.....	99,000,000	57,500,000	71
Apr. 1.....	84,000,000	40,000,000	110	Apr. 1.....	84,000,000	41,500,000	102
May 1.....	80,000,000	32,000,000	150	May 1.....	80,000,000	40,500,000	98

¹ Estimated.

These huge inventories have been accumulated and sustained notwithstanding the fact that the large, modern beam trawlers of New England have been tied up since January 1, 1946, because of a labor dispute. If these trawlers had been operating, based on past experience, they would have landed up to May 1, 1946, a conservative total of 75,000,000 additional pounds of rough fish.

(b) Of the above holdings many millions of pounds are becoming distressed merchandise because of lack of demand. Many of these freezer holdings will have to be sacrificed at any price to clear the freezers for new stock and since the big production season of the year is fast approaching. Recently four and a half million pounds were offered to UNRRA but was not accepted because of lack of suitable transportation and distributing facilities.

3. The potential production and supply of fish and shellfish are greater than at any other time in the history of our country.

(a) Those fishing vessels requisitioned by the Navy have now been returned to the fleet, and numerous new fishing vessels have been added during the past 3 years. The present fishing fleet is considerably larger than the prewar fleet as has been stated by the Fish and Wildlife Service.

(b) Imports of frozen fish from foreign countries reached an all-time record in the year 1945, and this figure will be far surpassed in 1946. Imports of frozen fillets increased from a prewar annual figure of 10,000,000 pounds to over 40,000,000 pounds in 1945. For the first 3 months of 1946 imports from Canada, New Foundland, and Iceland alone, where during the war period a substantial number of processing and freezing plants were built, totaled 12,416,533 pounds as of April 1 compared to 7,729,275 as of April 1, 1945.

Based on the above facts, it is the committee's belief that extension of price control on fresh and frozen fish and shellfish will not serve the purpose for which price control was intended, but rather will curtail production, disrupt and restrict processing and distributing operations, limit jobs, and tend to force the consumer to pay higher prices for these fishery products.

Respectfully yours,

L. A. GREENE,
*Chairman, Fresh and Frozen Fish Industry,
Advisory Committee to OPA.*

CALIFORNIA FRUIT EXCHANGE,
Sacramento 9, Calif., May 8, 1946.

Re pending legislation to extend price control

Senator ROBERT F. WAGNER,
*Chairman, Banking and Currency Committee,
United States Senate, Washington, D. C.*

DEAR SIR: As an industry member of several OPA and USDA official advisory committees in the fresh fruit industry, and having served in that capacity for the last 3 years, I am pleased to submit the following brief statement concerning pending legislation to extend price control, in accordance with the invitation contained in your telegram of May 3. At the outset I may say that the views expressed herein are my personal views, and there has been no opportunity, because of the shortness of time, to check them with other members of the official fresh apricot, plum and prune committee of which I am chairman, and of the table grape committee, of which I am a member.

I am not opposed to price control in time of war. I am opposed to its indefinite extension in time of peace. It is my opinion, however, that essential and necessary items in the cost of living should be decontrolled gradually, and to this end I recommend the further extension of authority to control prices through the OPA for a period of 9 months.

Control, however, should be extended with definite limitations and modifications of existing authority in the current Price Emergency Control Act. Items which do not enter materially into the cost of living index or whose control is attended by such administrative difficulties as to make regulation a nuisance rather than of fundamental value, should be decontrolled immediately. As cases in point, the recent action by the OPA in decontrolling fresh sweet cherries, fresh plums and fresh apricots should be extended to fresh pears and table grapes. These are two items presently under control, which do not enter heavily into the cost of living index.

In addition, I am completely opposed to the recent theory developed by the OPA that known and Government approved increases in costs of labor and

materials, both in the production of fresh fruits, and in their preparation for market, can be absorbed by the producer because in the judgment of OPA, farmers have been making money the last few years. Such theories are dangerous because they vest in officials of OPA judgment concerning whether the farmers have or have not made money, and if so, how much. Producer prices have been generally good during the war years, but anyone who is acquainted with agriculture knows that farmers must make money at some time or other, or they cannot continue to produce. Fruit growers of the Pacific Coast lost money for a period of 10 or 12 years before the war, and if they are to recoup at all, or to remain in business as producers of food, they must make a profit at some time in their history, or food production will cease. Therefore I support the amendment which is before the Senate Banking Committee requiring OPA to fix prices at a level which reflects cost increases since 1942. Any other course, it seems to me, would lead to decreased production, when what the country needs is increased production to bring its economy in balance. In other words, if I had any criticism of OPA policies, it would be that they have not been realistic enough in the face of proven increases in costs to grant reasonable increases in the price levels. It is my opinion that such reasonable increases would not have resulted in runaway inflation, because as a matter of fact, in the perishable fruit business the fixing of ceilings at a certain level does not necessarily mean that all fruits of a given type throughout the year will sell at the ceiling. Moreover, while it goes without saying that any increases granted, would result in higher price levels, the whole matter would be under control, and black market operations greatly minimized.

To summarize: I am in favor of reasonable extension of the present OPA authority to control prices, but with limitation as to the length of time such extension is granted and with an amendment to the existing legislation which will require OPA to recognize actual increases in costs from whatever base period may be selected, as the starting point for price control figures. I also recommend the elimination by amendment, at the present time, of items not entering materially into the cost of living, such as fresh pears, fresh table grapes and perhaps some other items which have been called to your attention by others.

I want to thank you for your courtesy in asking my opinion of this legislation.

Very truly yours,

F. W. READ,

Assistant General Manager, Fresh Apricot Industry Advisory Committee.

CENTRAL CALIFORNIA BERRY GROWERS ASSOCIATION,

San Francisco 11, Calif., May 8, 1946.

HON. ROBERT F. WAGNER,

Chairman, Senate Banking and Currency Committee,

Washington, D. C.

DEAR SIR: Your wire, inviting a brief statement concerning pending legislation to extend price control, has been received. The Fresh Berry Industry Advisory Committee, of which I am chairman, held meetings in Washington in 1944, 1945, and 1946, and I feel that at each of these meetings OPA and USDA officials have carefully and honestly considered our recommendations. I am convinced that they were absolutely right in setting ceiling prices on berries and had they not done so consumer prices would have been abnormally high.

It is true all berry districts were not entirely pleased, and that was to be expected, for consumer prices had to be considered and some few farmers are never satisfied no matter what is done for them. I feel that both consumers and berry growers were well treated. Washington officials carefully considered every phase of our problems and their decisions were based on the facts we presented and the records and information available from other sources.

OPA officials have learned much during the past few years and they are doing a better job now than ever before. If regulation of prices was essential during the war, I believe regulation is still very necessary during the reconversion period. I do not believe that an organization such as OPA, which was conceived to prevent runaway inflation, should be virtually scrapped by tying its hands and thus preventing it from doing a very necessary job ahead. Decontrolling of ceiling prices should be gradually done and OPA is the only agency that can do it.

Very truly yours,

E. H. HAACK,

Chairman, Fresh Berry Industry Advisory Committee.

LODI, CALIF., May 7, 1946.

ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Washington, D. C.

The juice grape industry advisory committee recommends statement by national league of wholesale fresh fruit and vegetable distributors you now have signed by William J. McCormick, president.

EDWARD BARBERA,
Chairman (Fresh) Juice Grape Industry Advisory Committee.

MEDFORD, OREG., May 6, 1946.

HON. ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Senate Office Building, Washington, D. C.

DEAR SIR: We wish to thank you for your telegram of May 3 which notified us to submit any statement we had in mind to be included in the transcript of the committee hearing concerning the extension of price control.

Our remarks will be addressed to the subject of price control as applied to perishable fresh fruit and vegetables, with particular reference to pears for fresh use and for processing.

1. The existing Price Control Act provides three methods for arriving at minimum ceiling prices on agricultural commodities:

A. Parity: The existing parity formula does not include the cost of labor, which in fresh fruit and vegetables—and particularly tree fruit—labor costs exceed 80 percent of the cost of production.

B. Highest prices received in the period January 1 to September 15, 1942: Through interpretation of this provision, OPA and USDA are working under a directive issued by OES which encompasses a formula for interpreting this provision of the act, which briefly defines this provision of the act as meaning average prices for the period rather than highest prices.

C. Increased-cost provision of the act which requires adequate weighting for the cost of labor: The directive issued by OES to OPA and USDA is based upon a formula prepared by OES that does not give adequate weighting for the cost of labor, and when the calculations are carried through in accordance with this formula and directive in most instances the resulting so-called "legal minimum" is lower than the parity price, which we state again does not include the cost of labor.

Present legal minimums which are arrived at as a basis for ceiling prices on pears for fresh use and for processing are based upon Government records for the year of 1943. Most of the pears produced in the United States are produced in the three Pacific-coast States of Oregon, Washington, and California, and they are produced in territories of heavy industrial activities—chiefly, the lumber industry and the manufacturing industries in Portland, Seattle, and San Francisco. Prior to the war there existed a slight differential in wage rates between labor and industry in these producing districts. During the war years—due to high wages in industry—it has been necessary for agriculture to import Mexican nationals in order to carry on the food-production program in all of these States.

At the present time the wage rates in effect in competing industries is the rate of \$1.15 per hour. This was recently raised from 95 cents per hour. The going rate in agriculture in these three States was 85 cents per hour but is now rapidly being raised to \$1 per hour as compared to 37½ cents per hour in 1940 and 42½ cents per hour in 1941. Therefore the rate is two and a half times what it was in the so-called base period of 1940-41. But no consideration has been given these increased wage rates in arriving at ceiling prices on pears. Nor has any consideration been given to the inefficiency of inexperienced labor. It takes three inexperienced orchard workers to do the work that two experienced men formerly did.

We have endeavored to have the legal minimum prices arrived at by using an on-tree-parity basis rather than a packing-house door or customary-point-of-delivery basis which would give some relief since the cost of harvest and delivery is almost entirely labor cost, but our efforts have not met with success due chiefly to the OES directive referred to in the foregoing.

The farmer and fruit grower cannot be expected to stay in business and produce the food that this country and the world needs if he is to be required to absorb all of the increased costs of the labor he hires and the material and supplies he

purchases. Manufacturers and industry in general are authorized to increase their prices to include the increased cost of labor. This is true on practically every item that the farmer buys including the clothing and food for his family. But we are told that this policy cannot be applied to the farmer and that our ceiling prices cannot be raised during the 1946 season because it is necessary to hold the line. On the other hand, we are told that it is necessary to produce all the food possible.

You gentlemen have heard this story over and over in the last few months so we will not dwell upon it any further. Proposals have been made to remove ceilings from perishable crops—at least when the annual crop appears to be 75 to 80 percent of the average of the past 5 to 10 years. We endorse this proposal. Proposals have been made to include the farmers' cost of hired labor in the parity formula. We endorse this proposal.

We recently made a proposal to OPA that our ceiling prices be increased 15 percent for the 1946 crop. This request has not been granted. This would raise the ceiling on pears from 1 cent to 1½ cents per pound to the consumer. This would raise the consumer's cost of pears for the 1946 crop only 10 cents per person for the entire year. And certainly, in view of recent happenings, this could not be called inflationary.

Some fresh vegetables and a few fruits have not been under price control; white potatoes have not been under price control for some months. Just this week cherries, apricots, plums, fresh prunes, and watermelons were decontrolled. While we have not seen the official order, it is likely that price ceilings were merely suspended, which means that they can be reinstated without notice. We do not see the necessity of continuing price control on pears. The production of fruits cannot be regulated like the production of automobiles, clothing, or other staple items. And when the fruit is ready to move it must be moved or the year's work will be lost.

If, in the opinion of the Congress, price controls must be maintained on pears, then the ceiling for the 1946-47 marketing season must be increased. The present ceiling is based upon the farmers' costs in 1943 and was first placed in effect on the crop of 1944. For the 1945 crop OPA endeavored to roll the ceiling price back to a lower figure than the ceiling of 1944 but their efforts were unsuccessful since the Secretary of Agriculture refused to sign the order. Our committee met with OPA April 1 through April 5, 1946. Their proposal was to continue the present price ceiling in effect through the 1946 crop. We explained that the producer of pears had absorbed his increased costs in 1944 and 1945 but could not absorb them in 1946. It is, therefore, our well-considered opinion that if price control is to be continued on pears through the 1946-47 marketing season, the act must be amended to require, without fail, that the increased cost of the producer, the handler, and the producers' sales agent be added to the existing ceiling in arriving at a ceiling price for the 1946 crop covering the 1946-47 marketing season. We mean by this, the increased costs of labor, material, and incidental expenses since January 1, 1944, must be added to the ceiling that is presently in effect. Through this means the pear grower will be compensated for his increased costs in 1944, 1945, and 1946.

We believe the wording of the suggested amendment can be so clearly written that it will not require the concoction of a new formula by OES which, if past experience can be used as a guide, would probably result in defeating the purpose of Congress as is the case today in connection with existing ceiling prices under the present act.

Respectfully submitted.

H. B. MURPHY,
Chairman, Fresh Pear Advisory Committee.

LOS ANGELES, CALIF., May 7, 1946.

HON. ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Washington, D. C.

Re tel fourth addressed to me Chicago forwarded here, reference pending price-control legislation. As chairman Industry Advisory Committee, Fresh Fruits and Vegetables, but not speaking for them, I am sure most all of them agree with me. First, I cannot help but express full appreciation of the fine, untiring work of OPA Fruit Division, particularly Baker, Gismond, Gindick, O'Brien. These men and our entire committee had a most difficult job handling these perishable products in order to reach some semblance of regulations that might prove workable,

but no matter how earnestly we tried we failed. The consumer and the producer became the victims. My conclusions are there is no longer any necessity for price control on fruits and vegetables nor on bananas. Illustrating, am just concluding trip through producing areas of Florida, Georgia, Carolina, and Western States. We are confronted with unprecedented crops of peas, lettuce, peaches, cantaloupes, plums, apricots, lemons, grapefruit, oranges that, barring occasional seasonal shortages due to weather conditions, Government support might easily become necessary. Last week in Chicago alone over 50 carloads of head lettuce from Arizona were abandoned to railroads. They would not bring freight charges. Many fields of peas and lettuce Kern County, Calif., being plowed under, no market; potatoes just starting to move Kern County, with thousands of cars ready to be shipped and price now getting near Government support price. Understand 8,000 cars are being offered to distillers today. Whenever any commodity gets scarce the consumer must pay the ceiling price on the surplus commodity as the retailer through unscrupulous dealers must purchase tie-in commodities. Black market operators now use Government bearer bonds instead of cash. Impossible OPA, FBI, or Internal Revenue ever reach these men. Legitimate operators cannot compete. I therefore reluctantly urge removals of ceilings on all fresh fruits and vegetables including imported bananas. This might result in early shipments and luxury grades selling at premium, but the rank and file will be benefited.

CHARLES W. IRRGANG,
*President, Fruit Auction Sales Co., Chicago,
 Fresh Fruit and Vegetable Distributors, Industry Advisory Committee.*

FORT WORTH POULTRY & EGG CO., INC.,
Fort Worth, Tex., May 9, 1946.

Senator ROBERT H. WAGNER,
*Chairman, Senate Banking and Currency Committee,
 Senate Office Building, Washington, D. C.*

DEAR SENATOR WAGNER: As chairman of the Advisory Committee to OPA on egg products, I appreciate your request to submit a brief statement to the Banking and Currency Committee regarding the extension of OPA after June 30, 1946.

As a processor of eggs and egg products I am opposed to price control for the following reasons:

1. No government should apply controls that either are not or cannot be enforced.

2. In a free market, egg products, including liquid and frozen whole eggs, egg yolks, edible and inedible albumen, and powdered eggs are priced in relationship to the market price for shell eggs. However, under unenforceable price control for shell eggs during seasonal periods of short supply, dealings in egg products on a legitimate basis are virtually impossible.

3. With the large reserve supply of frozen eggs now in storage, it is not inconceivable that the Government will have support again the frozen whole egg market at support levels, while at the same time, because of the inequity of pricings, some frozen egg products might actually be in the black market.

I can assure you that this opinion is shared by almost all, if not the entire, membership of the Egg Products Advisory Committee.

Very truly yours,

JOHN B. COLLIER, Jr.
Frozen and Dried Egg Industry Advisory Committee.

INDIANAPOLIS CASKET CO.,
Indianapolis 2, Ind., May 8, 1946.

Hon. ROBERT F. WAGNER,
*Chairman, Senate Committee on Banking and Currency,
 Senate Office Building, Washington, D. C.*

DEAR SENATOR WAGNER: In response to your invitation to the funeral supply manufacturers to make a brief statement regarding pending legislation to extend price control, we submit the following:

1. The present effect of OPA control has been to curtail greatly the production of caskets and other funeral supplies in the low price brackets. This is because

traditionally the lowest price units were sold at a loss and under the present price controls they cannot be manufactured except at a substantial loss.

2. We feel OPA does not provide a simple procedure for the upward adjustment of prices for units in the lower price brackets. The regulations and applications are beyond the ability of small manufacturers to follow with certainty and are limited to units which are practically nonexistent. The forms to be filled out are intricate and complex. It is almost an impossibility to file all the changes that occur almost daily, due to the necessity of substitutions, and still supply the daily requirements of the dead.

3. OPA should give greater consideration to the complexities of custom, method, demand, and need of variations due to geography, religious requirements, urban and rural differences, use of goods, and the flexibility indispensable in operation of funeral supply factories. Its information is more statistical than practical, and its judgments are based on averages no more real than the per capita wealth or the per capita debt of the Nation. Such averages have some value, but they are not sufficiently helpful to a business constantly facing the realities and furnishing burial merchandise daily as death occurs

4. Thus OPA arrives at its conclusions on figures showing that funeral prices are the product of wholesale casket prices multiplied by an arbitrary factor, which is not the fact. Only by working backward can funeral prices be said to be a product of wholesale casket prices so multiplied. The fact is that funeral prices are set in brackets determined by the funeral directors' operating costs, by the buying power of the funeral directors' clientele, and by its willingness to buy. The start is usually low—anywhere from \$75 to \$150 for a standard funeral. In a typical funeral establishment a range of price brackets may be as follows: \$165, \$185, \$205, \$245, \$295, \$345, \$400, \$455, \$495, \$595, \$700, \$850, \$1,000. Only an occasional, exceptional funeral is priced over \$1,000. The price incidence of funerals is approximately as follows:

	<i>Percent</i>
County funerals.....	1. 13
Less than \$100.....	4. 63
\$100 to \$199.....	15. 25
\$200 to \$299.....	23. 63
\$300 to \$399.....	24. 11
\$400 to \$499.....	15. 25
\$500 to \$749.....	12. 50
\$750 to \$1,000.....	2. 50
Over \$1,000.....	1. 00
Total.....	100. 00

5. Caskets are chosen to fit funeral price brackets. Funeral price brackets are determined to only a minor degree by the price level of caskets. If caskets go up in wholesale price too high for a given funeral bracket, the funeral director substitutes a cheaper casket. If caskets go down in wholesale value, the funeral director substitutes a more expensive casket. The casket averages about 25 percent of the total funeral cost; but to say that an advance of \$5 in the average price of caskets will raise the average price of funerals by \$20, as has been contended by OPA, is not correct.

6. OPA proposes a spot check of the industry. This will consist of sending accountants to many casket factories to secure answers to an extensive questionnaire. Weeks will be required in assembling figures which, when assembled, will themselves be unsatisfactory. They will be only statistics, and conclusions based on them will not solve the problem of how to provide caskets for funerals in the price brackets from \$150 to \$299. Casket manufacturers continue to provide caskets for county funerals and funerals of less than \$100, no matter what loss is incurred in their manufacture. But caskets ranging in wholesale value up to \$50 have been thinned out, and in some instances entirely dropped, because manufacturers cannot make them except at a heavy loss under OPA's price regulations.

7. This industry has never asked for a flat price advance. It has asked for decontrol, and we feel that our problem can be worked out satisfactorily to the industry and OPA, with the suspension of price control and a provision for reporting index or prototype prices every month. It needs the flexibility of individual freedom of judgment and quick adaptability to enable it to do the most efficient job of meeting the requirements of its funeral director customers and of

the public. If it is given such flexibility, its price advances will be substantially less than they will be if flat price relief is applied for or if manufacturers continue progressively to drop from their lines the lower price bracket units.

We speak only for our own industry. The only justification for OPA is when the demand is greater than the supply. The casket industry meets consumption demand day by day, with never any unfilled consumption demand except in case of catastrophe. It is highly competitive, for it consists of enterprises whose average annual sales volume does not exceed \$150,000. Even the largest companies in the industry are, for the most part, mergers of smaller concerns, the preponderance of which retains its operating identities. Whatever uniformity it has is uniformity due to competition. To the extent that its prices are on the same level, it is because they have leveled down.

Therefore, we ask that the legislation extending OPA beyond June 30, 1946, make it mandatory on OPA to decontrol, or at least suspend price controls in the casket industry which saturates consumption demand every workday in the year and which possesses production facilities ample, in the presence of adequate materials, to manufacture more goods than can be used.

Respectfully submitted.

OPA CASKET INDUSTRY
ADVISORY COMMITTEE,
FUNERAL SUPPLIES IAC,
By F. E. SCHORTEMEIER, *Chairman*.

P. S.—We are enclosing a copy of the application of the OPA Advisory Committee for exemption from price control.

Application of OPA Advisory Committee, Morticians' Goods Industry, for exemption from price control.

MARCH 21, 1946.

PAUL R. PORTER,
*Administrator, Office of Price Administration,
Washington, D. C.*

DEAR MR. PORTER: The undersigned, being members of the OPA Advisory Committee for the Morticians' Goods Industry, hereby petition that caskets, vaults, and other funeral supplies be released from price controls in accordance with Decontrol Order No. 68 of the Economic Stabilization Director. This application is made in behalf of over 500 manufacturers of morticians' goods.

Your petitioners represent that

1. The industry has a large surplus of manufacturing facilities over consumption demand.

2. There is no pent-up or accumulated consumption demand.

3. Caskets are not a cost-of-living item and do not affect the cost of living. Only 1 percent of the population each year is involved in death. Moreover, in vast majority funerals are paid for out of the proceeds of insurance policies or out of savings set aside for the purpose.

4. No additional funeral supplies will be produced by reason of decontrol, this because production and consumption demand are substantially in balance all of the time.

5. Decontrol will mean no diversion of lumber, metal, or textiles from other industries, this because funeral supplies are necessities up to the saturation of consumption demand and thereafter cannot be produced for inventory to any considerable extent.

6. Funeral-supply manufacturers are seriously handicapped in the matter of economies in production, particularly in goods of the low-price brackets, by the rigidities of control.

7. Administrative difficulties are disproportionate in relation to the effectiveness of the control or the contribution to stabilization.

8. Price controls of other commodities will not be impaired because funeral supplies are manufactured for specific use and are not component parts for other manufacturing.

9. It is difficult for manufacturers of funeral supplies to live up to OPA regulations, because substitutions of materials occur daily.

10. While specific prices will advance under the prodding of higher costs, the net expenditure of the public is likely to remain static or even fall below the present level, this because manufacturers will exercise their ingenuity to produce goods in price brackets which fit into funerals of various price grades.

11. No one in OPA has either intimate acquaintanceship or adequate comprehension of the practical complexities of the industries and of its needs in flexibility and quickness in dealing with emergencies and changes.

12. The funeral supply industry is made up of small enterprises. Not to exceed 15 percent of its total volume is done by two companies, which are really aggregations of smaller companies acquired and merged slowly over many years. The remaining 85 percent is divided among over 500 companies, scattered over 45 of the 48 States and averaging in annual sales volume approximately \$120,000. There is no tendency toward concentration of the volume into fewer hands or a reduction in the number of competitive enterprises. In fact, the number of such enterprises has increased by 40 percent in the last 20 years. The multiplicity of manufacturers seriously complicates price control administration, and the small size of several hundred manufacturers makes reports and applications exceedingly burdensome to them as well as to OPA. The industry employs about 13,000 wage earners.

13. The industry has had the typical experience of all industries as far as wage increases are concerned.

INFORMATION AND COMMENT

The materials used, in normal order of their importance, are lumber, rayon and cotton textiles, steel, and, in much smaller amount, copper, bronze, lead, and aluminum. To these must be added finishing materials, such as lacquers and pigments.

The production of metal caskets, made chiefly from sheet steel, was suspended in 1942, and the place of metal caskets had to be taken largely by wood caskets in increased production. The number amounted to about 350,000 per year. As sheet steel becomes available, metal caskets will resume their place in the market, thus reducing the requirements for lumber.

Lumber used in caskets is, in vast preponderance, lumber which is not suitable for building purposes or for furniture. Cloth-covered caskets, which normally represent half or more of the units consumed, can utilize lumber which, though it must be sound, may be defective in appearance.

The undersigned advisory committee estimates that the industry's consumption of lumber by years is as follows:

1940—155,945,920 board feet, against a total lumber production of 32,000,000,000 board feet.

1941—150,604,160 board feet.

1942—175,480,160 board feet.

1943—219,315,200 board feet.

1944—200,940,160 board feet.

1945—202,885,120 board feet.

When metal caskets return to their normal volume, the consumption will fall again to 155,000,000 board feet.

The foregoing figures are approximate, not exact statistics being available. Nevertheless, they match fairly closely the reports of the Department of Agriculture.

Price controls have no effect upon the footage of lumber consumed, the tonnage of steel consumed, or the yardage of textiles consumed. These are determined by concurrent consumption demand, which in turn is directly determined by mortality. Mortality averages about 1,400,000 a year and therefore, since substantially one casket is used for every death, the total annual consumption of caskets may be estimated at 1,400,000. It is seldom that the variation, either above normal or below normal, is as much as 5 percent.

There is not, and has not been, a shortage of caskets in the aggregate at any time in or since the war, though this is not to say that there has been no shortage in caskets of specific kinds. What shortages have occurred have been due to shortages of materials, such as steel, copper, and bronze and such as certain kinds of lumber and textiles. The current inventory of caskets in the stocks and salesrooms of casket manufacturers and funeral directors is not less than enough for 1 month of consumption demand—and it may be larger.

But the inventory is badly balanced because price controls have tended to drive out the units in the lower price brackets. This has happened because OPA rules have deprived casket manufacturers of flexibility in making substitutions at minimum cost. The procedure for securing approval for insignificant price changes is so cumbersome that it is simpler to quit making cheap units than it is to contend with OPA.

The burden falls on poor people. Caskets which might have to advance from \$30 to \$33 or \$40 to \$44 to cover the cost of substitutions are dropped from the line and their place is taken by caskets in brackets of from \$50 to \$80, allowable

under OPA price ceilings. Thus the poor family has to pay more, not by the funeral director's mark-up on a cost increase of \$3 or \$4, but by the mark-up on a casket of quality higher by \$20 or \$30.

The objective of the exemption is not, except incidentally, a matter of price relief for the funeral supply manufacturer. It is a matter of permitting him to use his knowledge, experience, and ingenuity to contend most competently with the difficulties of material shortages and rising costs. The repressions of OPA simply add to the bill which the public—and particularly the low-income section of the public—is called on to pay.

For various reasons rising out of the nature of the economic condition of the public which he is called on to serve, the funeral director usually prices funerals in steps or brackets directly related by a mark-up factor to the wholesale value of the casket. Thus, if he has a funeral based on a casket of \$29 wholesale value but cannot secure the casket, he drops the bracket and moves to the next higher, which may be based on a \$45 casket or a \$50 casket. He wants to supply the funeral based on the \$29 casket, however, and will do so if the casket is available.

Reputable funeral directors do not juggle their funeral prices. Therefore, decontrol of funeral supplies, far from having an adverse effect on cost to the public, is likely to have either so small an effect as not to be noticeable or actually a beneficial effect.

The average wholesale value of children's caskets is between \$10 and \$11, and it has not varied by as much as 70 cents since 1940.

The average wholesale value of cloth-covered wood caskets in 1945 was about \$36.75. In 1944 it was \$35.85; in 1943, \$34.20; in 1942, \$38.75; and in 1941, \$33.80.

Finished hardwood caskets of adult sizes averaged about \$68.75 in 1945; \$68.45 in 1944; \$61.55 in 1943; \$61.55 in 1942; and \$56.55 in 1941. The main reason for the increase in the index price of finished hardwood caskets was the increased demand for caskets of higher grades to take the place of more expensive metal caskets.

This committee represents that the wholesale prices of funeral supplies are extraordinarily stable and that they tend to resist advances. When costs push them up, substitutions keep the prices to the public down. Skill in making these substitutions is part of the competence of the individual funeral supply manufacturer.

The casket industry cannot be treated as a homogeneous industry. It is a sectional, or area, industry. New York does not affect San Francisco—or even Chicago and Pittsburgh—and Minneapolis does not affect New Orleans—or even St. Louis or Kansas City—except remotely. Therefore requirements by OPA that the entire industry make a showing if it wants relief have no relation to reality. Applications to local OPA branches do not work, either, partly because of lack of authority and partly because of failures in comprehension. Therefore the only remedy is exemption from price control.

Substitutions in textiles are an important result of the casket manufacturer's knowledge, experience, and skill. Normally the textiles used in caskets do not have many other uses. The current shortages are due to the fact that the looms and the labor—and also the yarn—needed for them can be utilized for other products.

This committee believes that, if the funeral supply industry is exempted from price controls, the average wholesale price of funeral supplies and the average retail price of funerals will not increase perceptibly, if at all, though this is not to say that specific items will not be increased in response to changes in cost.

Respectfully submitted.

OPA ADVISORY COMMITTEE, MORTICIANS' GOODS INDUSTRY.
 FREDERICK E. SCHORTEMEIER, *Chairman*.
 LESLIE W. DOWLING, *Secretary*.

Approved by: L. W. Dowling, Lincoln Casket Co., Lincoln, Ill.; J. T. McGillicuddy, National Casket Co., Inc., Boston, Mass.; E. R. Paris, Atlanta Casket Co., Atlanta, Ga.; Largent Parks, Dallas Coffin Co., Dallas, Tex.; F. E. Schortemeier, Indianapolis Casket Co., Indianapolis, Ind.; C. H. Votey, New York & Brooklyn Casket Co., Brooklyn, N. Y.

NEW YORK 1, N. Y., May 8, 1946.

HON. ROBERT WAGNER,
Chairman, Senate Banking and Currency Committee,
Washington, D. C.

DEAR SENATOR WAGNER: The OPA fur manufacturing industry advisory committee is grateful for the opportunity to express its views in response to your telegram of May 3, 1946.

This committee is unanimously of the view that special and peculiar factors govern in the fur-manufacturing industry, and that these factors require the prompt suspension or exemption of women's fur garments from price control. We do not believe that such suspension or exemption would in any way affect the price-stabilization program; and, indeed, we would not ask for exemption or suspension of fur garments unless we were confident that the program as a whole would not thereby be threatened.

At present, women's fur coats—made out of 17 different kinds of skins—that is, all fur coats except the extremely high-priced coats, such as mink—are price-controlled under Maximum Price Regulation 178, as amended. The fur-manufacturing industry advisory committee believes that all women's fur garments should be decontrolled for the following reasons:

1. Fur coats do not enter into the cost of living. That fur coats are a luxury and play no substantial part in the cost of living, has been expressly recognized by Congress, by the Office of Price Administration, and by the Bureau of Labor Statistics.

Congress has classified all fur coats, without exception, as "luxuries," and has subjected their sale to the 20 percent excise tax. The OPA has expressly excluded fur coats from its list of cost-of-living commodities. See Maximum Price Regulation (April 28, 1942), section 13. And finally, the Bureau of Labor Statistics has made a similar determination for the purpose of maintaining the BLS cost-of-living index. No weight is given in the index to fur garments, except for the possible inclusion, to an infinitesimal degree, of rabbit-fur coats.

These conclusions of Congress, of OPA, and of BLS are fully supported by the facts. In the season of 1944-45, the average retail price per fur garment was \$383. This is to be contrasted with the average retail level of \$16 per cloth garment. We think it clear, accordingly, that fur coats do not enter into the cost of living, which will not, therefore, be affected by decontrol.

2. A second reason which imperatively requires prompt decontrol is the grave threat, even now being realized, of the disappearance of popular-priced fur garments. The basic raw material of fur coats is the fur skins. But it is admitted on all sides that price control of fur skins has entirely broken down and is now completely ineffective.

For example, the price of muskrat skins is fixed at \$2.30 per skin, and the price of muskrat coats is fixed on that basis. But muskrat skins are not available at \$2.30. They are available only at the black-market price of \$3.50 and more. The result is that skins are not available to legitimate manufacturers, and no muskrat coats are being produced by them. There has thus been eliminated from the market the fur garment which is in greatest consumer demand.

This is not an isolated example. The same situation is rapidly appearing in respect of other popular, low-priced furs. The net result is that, although we have a price ceiling, there are no fur coats to which the ceiling can apply. It would appear to be infinitely more desirable to permit the coats to become available again by lifting the price ceilings.

Even if this should result in a slight increase in price, at least there would be coats at the price, and the price would be far lower than the black-market prices which the consumer is now obliged to pay.

3. Decontrol of manufactured fur garments will not result in a general price rise. While it is impossible to foretell with certainty the exact course of prices in the event of decontrol, several factors warrant our conclusion that there will be no general price rise. The basic factor supporting this conclusion is that there is no shortage of supply of fur skins. All types of raw skins exist in abundance; as noted, the only problem is their availability at legitimate prices.

In contrast to a number of other industries, there has been no pent-up demand arising out of the war. Fur manufacturing reached peak production during the war, and accordingly, there is no war-born imbalance of supply and demand.

The actual price experience of those high-priced furs which were suspended from control on August 15, 1945, further supports the conclusion that there will be no general price rise. The furs which were decontrolled on August 15, 1945, did not generally rise in price, despite the fact that those expensive furs are pro-

duced in comparatively limited quantities and are purchased by consumers to whom price is not the primary consideration.

We think that there would be considerable advantages to decontrol of fur garments. Legitimate channels would once again be restored and black marketeers would be driven out. Fur coats for which there is a demand would reappear on the market. And the energies of the OPA would be freed from the exasperating and impossible task of trying to control fur skins. Its attention could thus be concentrated on more important and critical problems.

The fur manufacturing industry advisory committee is, of course, ready to supply you with any additional information which you may wish. We appreciate your affording us this opportunity to express our views.

Yours sincerely,

LOUIS F. WHITE,

Chairman, Fur (Garment) Manufacturing Industry Advisory Committee.

VIGDER BROS., INC.,
New York City, May 8, 1946.

HON. ROBERT WAGNER,

*Chairman, Senate Banking and Currency Committee,
Washington, D. C.*

DEAR SENATOR WAGNER: The OPA rabbit fur garment manufacturers industry advisory committee is grateful for the opportunity to express its views in response to your telegram of May 3, 1946.

This committee is unanimously of the view that special and peculiar factors govern in the fur manufacturing industry, and that these factors require the prompt suspension or exemption of women's fur garments from price control. We do not believe that such suspension or exemption would in any way affect the price stabilization program; and, indeed, we would not ask for exemption or suspension of fur garments unless we were confident that the program as a whole would not thereby be threatened.

At present women's fur coats—made out of 17 different kinds of skins—that is, all fur coats except the extremely high priced coats such as mink—are price-controlled under Maximum Price Regulation 178 as amended. The rabbit fur garment manufacturers industry advisory committee believes that all women's fur garments should be decontrolled for the following reasons:

1. Fur coats do not enter into the cost of living. That fur coats are a luxury and play no substantial part in the cost of living has been expressly recognized by Congress, by the Office of Price Administration, and by the Bureau of Labor Statistics.

Congress has classified all fur coats, without exception, as "luxuries," and has subjected their sale to the 20 percent excise tax. The OPA has expressly excluded fur coats from its list of cost-of-living commodities. See Maximum Price Regulation (April 28, 1942), section 13. And finally, the Bureau of Labor Statistics has made a similar determination for the purpose of maintaining the BLS cost-of-living index. No weight is given in the index to fur garments, except for the possible inclusion, to an infinitesimal degree, of rabbit fur coats.

These conclusions of Congress, of OPA, and of BLS are fully supported by the facts. In the season of 1944-45, the average retail price per fur garment was \$383. This is to be contrasted with the average retail level of \$16 per cloth garment. We think it clear, accordingly, that fur coats do not enter into the cost of living, which will not, therefore, be affected by decontrol.

2. A second reason which imperatively requires prompt decontrol is the grave threat, even now being realized, of the disappearance of popular-priced fur garments. The basic raw material of fur coats is the fur skins. But it is admitted on all sides that price control of fur skins has entirely broken down and is now completely ineffective.

For example, the price of muskrat skins is fixed at \$2.30 per skin, and the price of muskrat coats is fixed on that basis. But muskrat skins are not available at \$2.30. They are available only at the black-market price of \$3.50 and more. The result is that skins are not available to legitimate manufacturers, and no muskrat coats are being produced by them. There has thus been eliminated from the market the fur garment which is in greatest consumer demand.

This is not an isolated example. The same situation is rapidly appearing in respect of other popular, low-priced furs. The net result is that, although we have a price ceiling, there are no fur coats to which the ceiling can apply. It would

appear to be infinitely more desirable to permit the coats to become available again by lifting the price ceilings.

Even if this should result in a slight increase in price, at least there would be coats at the price, and the price would be far lower than the black-market prices which the consumer is now obliged to pay.

3. Decontrol of manufactured fur garments will not result in a general price rise. While it is impossible to foretell with certainty the exact course of prices in the event of decontrol, several factors warrant our conclusion that there will be no general price rise. The basic factor supporting this conclusion is that there is no shortage of supply of fur skins. All types of raw skins exist in abundance; as noted, the only problem is their availability at legitimate prices.

In contrast to a number of other industries, there has been no pent-up demand arising out of the war. Fur manufacturing reached peak production during the war, and accordingly, there is no war-born imbalance of supply and demand.

The actual price experience of those high-priced furs which were suspended from control on August 15, 1945, further supports the conclusion that there will be no general price rise. The furs which were decontrolled on August 15, 1945, did not generally rise in price, despite the fact that those expensive furs are produced in comparatively limited quantities and are purchased by consumers to whom price is not the primary consideration.

We think that there would be considerable advantages to decontrol of fur garments. Legitimate channels would once again be restored and black marketers would be driven out. Fur coats for which there is a demand would reappear on the market. And the energies of the OPA would be freed from the exasperating and impossible task of trying to control fur skins. Its attention could thus be concentrated on more important and critical problems.

The rabbit fur garment manufacturers industry advisory committee is, of course, ready to supply you with any additional information which you may wish. We appreciate your affording us this opportunity to express our views.

Yours sincerely,

BENJAMIN VIGDER,
Chairman, Fur Garment Manufacturers (Rabbit)
Industry Advisory Committee.

NEW YORK, N. Y., May 6, 1946.

HON. ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Washington, D. C.:

Since dollars-and-cents ceilings were first placed on the so-called cost-of-living fur garments, and controls were removed from the so-called luxury furs, manufacturers have ceased to produce the lower-priced garments and have shifted to the higher-priced luxury furs. Such a partial price control is unfair to the consumer as it has practically eliminated the lower priced. There is no distinction made between cost-of-living furs and luxury furs by the tax department as the 20 percent excise tax applies to all.

JOSEPH KRUSKAL,
Chairman, (Fur Garments Wholesalers)
Industry Advisory Committee, OPA.

THE C. L. GREENO Co.,
Cincinnati, Ohio, May 9, 1946.

HON. ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Washington, D. C.

DEAR SIR: In response to your telegraphic request for a statement concerning extension of price control. I am pleased to submit the following statement for the consideration of your committee.

As chairman of the advisory committee to OPA from the furniture and mattress spring manufacturing industry, my personal feeling and, I am sure, the feeling of the majority of our industry is that a limited control of prices is desirable. But this only if it is properly and fairly applied and sufficiently flexible to permit a reasonable profit to our industry based on cost of operations.

Past relations with OPA indicate that reasonable understanding of costs and prompt action to correct inequities cannot be expected. Unless this condition is corrected price control will continue to retard production of needed items as it has in the immediate past.

Yours truly,

JOHN R. GREENO,
Furniture Industry Advisory Committee.

BROYHILL FURNITURE FACTORIES,
Lenoir, N. C., May 8, 1946.

Senator ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Washington, D. C.

DEAR SENATOR WAGNER: The delay in answering your telegram of the 3d has been due to my absence from my office.

You asked if I would make a statement to be used before your committee in considering the matter of extending the Price Control Act. I do not wish to make a statement for this purpose but will give you briefly my views for your own guidance.

I have been a strong supporter of OPA during the war period, and I feel that during that period, that OPA performed an outstanding service. It seems that to me, since the war has ended, OPA has deteriorated considerably, and I am led to believe that a substantial amount of business is being done in this country through unethical channels which would not be possible if OPA was eliminated altogether. To offset this, I think for a short period at least we would have considerable flare-up in the price set-up in many commodities, but I do not believe it would go to the extent reached by a considerable amount of the black market business being transacted today.

So, unless OPA had sufficient enforcement to run down and stamp out the tremendous black-market operation, I am led to believe that the country would be better off by taking off all controls, and I feel that within a reasonable length of time, competition will bring prices in line much more effectively than is being done by OPA today.

With kind regards,
Cordially yours,

J. E. BROYHILL,
(Furniture Manufacturers Industry Advisory Committee).

NEW ENGLAND CONFECTIONERY CO.,
Cambridge 39, Mass., May 8, 1946.

Senator ROBERT F. WAGNER,
Senate Banking and Currency Committee,
Washington, D. C.

DEAR SENATOR WAGNER: Replying to your telegram of May 6 in which you explain that your committee will be pleased to include in its transcript any brief statement from industry advisory chairmen concerning the extension of price control, I'm pleased to submit the following:

Price control under its present form of administration is of little value to the candy industry. Unless there is an immediate realistic understanding of business-men's problems in our constantly shifting economy, it would be far better if our products were decontrolled. There is a breaking down of our business and individual honesty under the present system of controls and if we are to regain a strong sense of national integrity constructive changes are required soon.

Very truly yours,

JOHN H. REDDY,
Chairman, General Line Candy Industry Advisory Committee.

YOUNGSTOWN, OHIO, May 9, 1946.

HON. ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Washington, D. C.:

In reply to your telegram requesting a brief statement regarding price control in the steel industry while I have not had the opportunity to canvass the committee as chairman, I have the following comments:

Price control was a wartime emergency measure which is not appropriate to a peacetime economy. It should not be extended. If extended it should be for as short a period as possible and Congress should write specific standards into the law.

As the administrative official of OPA interprets the law at the present time prices of steel products are deemed proper if the industry as a whole earns 4.3 percent of its investment annually. This figure is before Federal income taxes are deducted. At a tax rate average of 40 percent earnings on this basis would be under 3 percent when an industry is operating at a rate over 165 percent of the base period used by OPA and its earnings are subjected to a standard as low as this it amounts to peacetime partial confiscation.

Labor stoppages are the primary cause of the present steel shortage. A reasonable period of full production will insure an ample supply of most products. I believe personally that only reasonable and not high profits will result if price control in steel is eliminated. Strong competition will keep prices down.

If the law is extended it should specifically require OPA to permit 1941 or other reasonable margin of profit to be earned on each major steel product. Peacetime America does not need price control and in my opinion the sooner it is terminated the better.

W. E. WATSON,
Chairman, General Steel Products Advisory Committee to
Office of Price Administration.

NEW YORK, N. Y., May 9, 1946.

HON. ROBERT F. WAGNER,
Senate Building, Washington, D. C.

Referring your request for brief statement concerning pending legislation to extend price control we believe this should be eliminated in case of papers used for protection and preservation of foodstuffs. Except that three mills have been authorized to raise prices \$5 and one mill \$10 per ton which brought their prices into line with prices of other mills at time of freeze period March 1942, we have not been permitted to raise prices since March 1942 although a 70 percent our tonnage made by mills who have to purchase entire pulp supplies. On other hand OPA has authorized increases in pulp prices of approximately \$20 per ton since our paper prices were frozen and it takes at least 1 ton of pulp to make 1 ton of paper. In addition, wage rates have been increased at least 20 percent and other supplies accordingly; consequently low-priced products are disappearing. If price control extended, want urge strongly that OPA be required to either approve or disapprove applications for price increases within 30 days of receipt of application or that application be approved if not disapproved within that period; second, that extension be limited to 6 months; third, that manufacturers be authorized to increase prices frozen in March 1942 or earlier period to reflect increases in costs of manufacture since date of freeze period. This is only practicable method of securing adequate supply of low-priced products.

PAUL E. HODGSON,
Chairman, OPA Industry Advisory Committee
for Glassine and Greaseproof Papers.

DREYER COMMISSION CO.,
St. Louis, Mo., May 6, 1946.

Senator ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Washington, D. C.

SIR: I have a telegram this afternoon asking that I express my views in a brief factual statement concerning pending legislation to extend price control. I will be as brief as possible, but there are so many facts pertaining to this, it is rather hard to confine a subject of this kind to a few words.

First, I wish to go on record to the effect that R. C. Woodworth, Minneapolis, chairman of the National Grain Trade Council who testified before your committee a few weeks ago covered this matter quite fully, and in which I concur 100 percent. There are a few things, however, he did not cover.

Enclosed is a letter sent out by the National Oats Co., which is self-explanatory. There is a story connected with this. The Canadian concern that secured this oat feed or reground oat hulls, has been selling this product at over 100 percent profit over the National Oats Co. ceiling of \$16.50 per ton, Chicago. It is our understanding this reground oat feed is being offered for sale at \$37.50, Chicago, or over \$600 per car profit; the usual profit is \$15 per car.

You will recall, there was a blanket ceiling set on everything as of March 1942, and reground oat feed still comes under this category, together with a great many other products. Why OPA has not seen, in a period of 4 years' time, to make necessary adjustments covering uniformity of price, is beyond my comprehension. Most everyone has a different ceiling, some over the price of \$16.50 that National Oats has, some under this, but the most of them higher.

When you come to reconversion, I believe if you will take the time and trouble to investigate, you will find OPA has retarded reconversion. Under date of April 25 I was told by a distributor here of air-conditioning units, that they have a stock on hand of the new manufacture that they are unable to distribute by reason that OPA has not corrected the ceiling price on same. I likewise know definitely there were Ford cars held in storage in St. Louis for the same reason, namely OPA had not put a corrected ceiling on these. Why there should be this delay, is beyond anyone's understanding.

Another matter that should be stopped is this business of subsidies, which certainly do not hold down prices. In plain words, the public is being kidded into thinking OPA is holding down prices but the taxpayer through the Government is paying the difference, and for every \$1 of subsidy when one adds the administrative cost, it practically means \$2 out of the taxpayer's pocket; and if ever there was a subterfuge to make a Government agency look good, this is certainly one of them.

If OPA has held down the cost of living, it is likewise beyond my comprehension. The cost of living per household, food in particular, has increased from 30 percent to 40 percent.

Women's blouses are being advertised in our daily papers here as high as from \$20 to \$50, hats as high as \$155. Who ever heard of these prices 5 years ago, or even 10 years ago for that matter?

Go to any haberdashery or department store and try to buy a white shirt, and if you are fortunate enough to find one you will see the price of a shirt that formerly sold at \$2 is now approximately \$3.75 to \$4, plus the fact that while all prices are extremely higher on everything, the quality is likewise much poorer.

You hear of women's nylon hose being sent by the millions of dozens to Mexico—Why?

In addition, there is entirely too much confusion by reason of the multiplicity of regulations. Nor do I feel it is proper to delegate authority to a great many people who are incompetent, in plain words, of which there are a great many in the employ of OPA, who seem to disregard entirely article 4 of the Bill of Rights.

To me it appears OPA is more responsible for black markets, particularly in our line of endeavor, than any other reason.

The law of supply and demand has always governed, will always govern if allowed to, and you cannot tinker with this in an artificial manner and expect to get by any more so than you can run the Mississippi River northward from New Orleans. This may be done for a short period of time but it cannot be done continuously.

Last but not least, a continuation of price control of grain and grain products will have the disastrous effect of closing down most every feed manufacturing concern in the United States within the next 30 days, if not sooner. One car of corn in the hands of feed manufacturers, blended skillfully, will go further than three cars in the hands of a novice or inexperienced feeder. You will readily kill off poultry flocks and cattle, which takes several years to replenish, and unless I badly miss my guess, you are in for a tremendous shortage of milk, meats, poultry, eggs, etc., unless something is done immediately toward remedying these evils.

What chance has corn or wheat to move through the regular market channels if the Government pays a bonus of 30 cents per bushel for same? It simply creates a demand for substitutes such as oats, barley, etc., by reason of the relative cheapness in comparison. While I appreciate the fact that until an adjustment takes place you may have an upward spiral of prices, the law of supply and demand will

in a very few months time catch up with it and we will be back on a basis of free enterprise and democracy, for which our boys bled and which seems to be lost and forgotten entirely in the political policies of this country.

Further, we are shipping whole wheat abroad; the American public was led to believe that a great many flour mills in England and other countries were demolished during the war, resulting in our shipping this wheat to Holland for milling, which leads to a situation where Holland is glutted with feeds which our country sadly lacks and needs. If this wheat were milled into flour in this country it would bring about more employment, keep the feed in this country, which we are sorely in need of, and enable us to keep up our poultry flocks, cattle, etc., instead of being wasted to a good extent abroad.

Yours very truly,

E. C. DREYER,
Grain Industry Advisory Committee.

S. F. SCATTERGOOD & Co., INC.,
Philadelphia 6, Pa., May 7, 1946.

HON. ROBERT F. WAGNER,
Senate Office Building, Washington, D. C.

DEAR SIR: It is our opinion that the proposed legislation to extend price controls for a further period of time will aggravate an already strained condition prevailing among the grain and feed industry of this country.

Under a wartime economy we can see and advocate rigid price controls on as many commodities as it is possible to cover, but we are now in a transition period, the war having ended long since, and we see no farther use of price controls insofar as grain and feed is concerned.

During the past few years there have sprung up numberless black-market operators, never previously even remotely connected with the grain and feed industry. These operators have more or less openly traveled among the grain producers, induced the farmer to sell his grain at far above ceiling prices, with the result that long-established channels of distribution found it impossible to function as in normal times. The millions of bushels of grain sold to these black-market operators in one form or another has remained in the West, while the East, which normally brings supplies in from the West, has just about been starved in their efforts to secure supplies in a legal manner. The net result is that a tremendous crisis exists even now and practically every feed and grain mill and elevator in the East is literally begging for supplies with which to continue operating and to be able to supply the eastern farmer and feeder of livestock and poultry.

Recently the Commodity Credit Corporation announced its willingness to pay a bonus of 30 cents per bushel on wheat and corn to be used for export to famine-threatened countries and this offer has met with considerable interest and response. As previously cited, black-market operators have been able to purchase quite heavily of grain previously and now unobtainable at present ceiling prices. This will indicate to you that the farmer-owner of this grain, who is located in the Midwest, will sell at a fair price; and at present ceiling prices for corn, barley, and other grains, he does not consider that he is getting a fair return at today's ceiling prices.

It is our belief and honest opinion that removal of price controls from grain and feed would quickly result in offers to sell any and all surplus grain now being held for higher prices. That the removal of present ceilings would undoubtedly bring about sharp price rises is beyond dispute but notwithstanding this, such advances in price, we feel, would be but temporary, for eventually the old law of supply and demand must be encountered, as it has been the ruling factor for thousands of years, and prices will naturally recede after the first wave of advances. The coming of new crops will have a tendency to halt indefinite price advances and sooner or later the user of grain would decide when prices have reached the point where he can no longer afford to feed high-priced grain.

Present ceilings were imposed, not all at one time, but in a gradual manner. The enormity of such ceilings required considerable study and as they were imposed one by one, sometimes months and months apart, the market prices of other grains not yet covered by ceilings continued to advance and the earlier ceilings naturally became too low-priced, making it inconducive to farmers to sell such grain covered by poor ceilings. For instance, corn was one of the first grains to be covered by ceilings. By the time these corn ceilings were established, oats, barley and other grains had advanced considerably in price, making it

impractical to the farmer to raise corn or sell it if he did raise it. For nearly a year we have been unable to buy the basic commodities necessary in the manufacture of feeding stuffs and a continuance of this condition must eventually result in the closing down of dairies, poultry farms and beef-cattle-producing areas.

We urge you to use your efforts to do away with price controls on grain and feed. Further continuance of these controls will be of disaster-reaching proportions, which must effect the entire economy of our country.

Yours very truly,

S. F. SCATTERGOOD & Co., INC.,
L. D. TOLL,
President, Grain Industry Advisory Committee.

MAY 8, 1946.

Senator ROBERT F. WAGNER.

*Chairman, Senate Banking and Currency Committee,
Senate Office Building, Washington, D. C.:*

Your wire, May 3, our committee generally agrees with the principal and objectives of OPA as set forth by Congress in the original act, but feels that its administration to date has so defeated the purpose of the act that inflation through up-grading in some products has been greater than would have resulted under normal economic pressures.

This committee submitted a brief to OPA dated April 11 containing factual evidence of the degree to which low-priced papers have been curtailed and the consumer forced to substitute high priced specialty grades. Three copies of this brief are being mailed to you. OPA's promise that controls will be lifted as soon as production catches up with demand means little if those very controls continue to curtail production. OPA ceilings have already upset normal grade relationships so badly that if price controls are continued our committee believes it will be necessary to provide extra profit incentive on the low end grades to reverse the shift that has already taken place.

OPA's responsibility as a production control agency must be recognized and if continued that agency should use this power to stimulate production of popular priced grades since only if such grades are available do their ceilings represent true living costs. Subsidies are not the answer.

H. S. DANIELS,
Chairman, Industry Advisory Committee, Grocers and Variety Bags.

INDUSTRY ADVISORY COMMITTEE TO OFFICE OF PRICE ADMINISTRATION
FOR STANDARD GROCERS AND VARIETY BAGS,
New York City, April 11, 1946.

Mr. PAUL A. PORTER,

Administrator, Office of Price Administration, Washington, D. C.

DEAR MR. PORTER: The Advisory Committee for Grocers and Variety Bags, at the request of the industry they represent, herewith applies for relief from a situation which is, on the one hand, imposing a severe hardship upon the manufacturers of grocers and variety bags and, on the other hand, inflating the cost of packaging materials to more than a million retail stores in the country.

Under the provisions of MPR 182 grocers and variety bag paper, and grocers and variety bags are the low-end products of the entire kraft-paper industry today. Similar situations in other industries have been recognized and corrected by OPA. Failure to give the same recognition and correction to this situation will unquestionably continue the trend which has already gone much too far, viz, drastically decreased production of grocers and variety bags, and resulting substitution of higher priced grades for over-the counter use. In other words, the retail merchant is forced to buy pink sport shirts at \$12 because no white shirts (at the \$1.95 ceiling) are available to him.

A brief review of the past few years readily explains how this situation has developed.

During the prewar years 1936-39, inclusive, the grocers and variety bag industry consumed, on the average, 40 percent of the total domestic production of machine-finished kraft paper. In 1940, the percentage was approximately 42 percent and in 1941, it was approximately 39.6 percent. In July of that year

(1941) a substantial majority of the grocers and variety bag industry cooperated with the newly formed OPA by voluntarily agreeing to maintain a maximum price of 26/5 on grocers bags, which price has since been increased only 5 percent (reflecting a comparable increase in bag-paper prices) despite many subsequent converting cost increases, and a drastic reduction in converting volume.

During the next 4 years, the grocers and variety bag industry dropped from its prewar consumption of 40 percent to only 18 percent of the total domestic kraft paper production, as follows: 1942, 34 percent; 1943, 28 percent; 1944, 20 percent; 1945, 18 percent.

OPA regulations were not responsible for this decline, up to August 1945. It was caused by curtailment orders, and pulp allocation directives of WPB during the war, when grocers and variety bags were considered the "least essential" end use of kraft pulp. The hardship imposed upon the industry, by prolonged and steadily increasing curtailment of its products, was quite frankly and sympathetically recognized by WPB officials, who promised the industry relief at the earliest possible moment.

During the first half of 1945 the WPB curtailment of grocers and variety bag manufacture was so severe that these products dropped to the following percentages of consumption of the total domestic machine-finished kraft paper production: January 1945, 20 percent; February 1945, 17.5 percent; March 1945, 14.6 percent; April 1945, 13.3 percent; May 1945, 13 percent; June 1945, 12 percent. Average 15.06 percent.

This was from a prewar position of 40 percent.

Remembering (and keeping) its promise to the industry, WPB rescinded the grocers and variety bag curtailment orders in August 1945. Immediately thereafter, housewives, retail merchants and paper distributors all quite naturally expected and demanded a return to normal supplies of retail store bags. Considering the fact that our products had been more severely curtailed than any other kraft paper product it was only natural to expect that the rescinding of WPB controls would result in a recovery of grocers and variety bag production, not only to prewar level, but somewhat in excess of that level, in order to replenish the exhausted inventories in the hands of distributors and merchants.

But this recovery did not materialize. During the remaining 4 months of 1945, grocers and variety bag production increased only slightly, to the following percentages of the total machine-finished kraft paper production: September 1945, 19.2 percent; October 1945, 20.3 percent; November 1945, 21.6 percent; December 1945, 23.9 percent.

This was a far cry from the prewar position of 40 percent without giving any weight to the necessity for replenishing inventories.

Why did these products fail to recover their normal, prewar percentage of consumption of the kraft paper production? Because upon the release of WPB controls, OPA regulations immediately became production controls in themselves.

The industry does not mean to imply that this development was intentional on the part of OPA. On the contrary, it recognizes that, during the war OPA cooperated with WPB by giving more favorable price incentives to those products on which WPB wished to stimulate production, and holding a low ceiling over the products which WPB considered "less essential" to the war effort and so wished to curtail.

With the sudden ending of the war, however, our national objective changed to one of speeding up reconversion, employment, and a return to high levels of peacetime production and consumption. Retail merchants across the country prepared for distribution of civilian goods on which the pent-up demand of the war years had accumulated. They needed paper bags to deliver this merchandise, and they bought bags of whatever kinds were available to them.

But they were not able to buy enough of the low-priced grocers and variety bags that they would normally have used. So they purchased waxed kraft garbage bags, duplex bags, coffee bags, wet-strength bags, and even multiwall bags for ordinary over-the-counter use. They bought glassine bags, and bags made out of waterproof and creped and other specialty papers—because these were the only (higher priced) grades of paper that the bag converter himself could buy to convert into bags.

A representative of OPA stated in a recent industry meeting that he estimated that more than a third of the bags used in retail stores were higher-priced specialties of this type. The industry believes his estimate is conservative. Further in this connection, we quote from the 1945 Annual Grocer's Manual published by Chain Store Age:

"Paper bags make up the bulk of store supplies. They are extremely short in supply now and the outlook for increased supplies is not good. The bag supply has been cut to a level of 30 percent of the normal supply."

Substitution of higher-priced bags not only costs the merchant a great deal more than grocers and variety bags, but such bags are, in most cases, much less efficient. Further aggravating this inflationary trend is the fact that due to the scarcity of true grocers and variety bags distributors are forced to dole them out in small quantities—at the maximum ceiling quantity differentials.

In the meantime, manufacturers who could not convert a substantial part of their business to specialty grades were forced to close down. Since 1941 the number of independent grocers and variety bag converters in operation has dropped from 30 to 23 and the number of paper mills producing grocers and variety bag papers for market sale has dropped from 16 to 7.

Some of the mills continued to supply a limited amount of grocers and variety bag paper on the grounds of moral obligation to their prewar customers, but the price pressure was so severe that as of April 1, 1946, two of the remaining seven mills notified five independent converters that they could no longer furnish them with grocers and variety bag paper.

Thus, 8 months after WPB controls were released, the economic control of OPA regulations curtailed the amount of market grocers and variety bag paper production more severely than was done by WPB under the war economy.

The problem is not merely a question of grocers and variety bag paper costs; it is one of the relationship of variety and grocers bag paper prices to the prices of other grades which can be produced by the same paper machines. Under normal competitive conditions, this relationship adjusts itself automatically. Whenever a grade is priced so low as to make its production unattractive, production of that grade is reduced until the balance of supply and demand permits a price recovery. On the other hand, overproduction of the more profitable grades soon creates competition which reduces their prices. It hardly seems necessary to point out to OPA the degree to which historical differentials between grades have been distorted, and the natural economic balance wheel jammed by the inflexible price relationships frozen under MPR 182.

Take the comparison with kraft wrapping paper, for example. This product competes directly with grocers and variety bags, for two obvious reasons. First, it is substantially the same quality (and cost) of paper from a manufacturing standpoint. Second, from a user's standpoint, merchandise can either be placed in a paper bag or it can be wrapped.

The historical differential between the grocers bag paper and the price of wrapping paper (counter rolls) has averaged \$5 per ton. In other words, the prewar price of grocers bag paper has generally been the same as the price of jumbo-roll wrapping paper. Today, the ceilings on these two competitive products are as follows:

	Wrapping paper, jumbo rolls	Grocers bag paper	Current differential
40-pound basis.....	\$95	\$87.50	\$7.50
35-pound basis.....	100	87.50	12.50
30-pound basis.....	105	87.50	17.50
25-pound basis.....	115	87.50	27.50

Under these conditions, it is not difficult to see why the manufacture of grocers and variety bag papers is fast disappearing under the pressure of MPR 182. And as has been pointed out above, this not only imposes a severe and discriminatory hardship upon the manufacturers of grocers and variety bags, but it also inflates the cost of bags to the retail merchant who is forced to substitute much higher priced specialty grades for over-the-counter use.

To arrest this trend, the grocers and variety industry requests permission to pay for its grocers and variety bag paper a price that will at least equal the price which the same mill can charge for its jumbo-roll wrapping paper; and to make a simultaneous adjustment in the price ceilings of grocers and variety bags. Your committee believes that the minimum ceilings necessary, merely to halt the present trend of grocers and variety bag paper curtailment, are as follows:

Recommendation No. 1:

Grocers bag paper:	
40-pound basis and up	\$95
35-pound	100
30-pound	105
25-pound	115
Variety bag paper: ¹	
40-pound	100
35-pound	105
30-pound	110
25-pound	120

Grocers bags: To have their base list adjusted to reflect the proposed differentials in 30- and 35-pound paper, and the discount then increased to 24/5 for all sizes.

Variety bags: To have their discounts adjusted to reflect the proposed differentials for variety bag papers. This would require 1/5 in the case of sugar bags and sacks and 2/5 in the other kraft variety bag grades.

¹ These are machine-finished prices. Comparable adjustment should be made in the price of medium grade papers to equalize the position of converters using medium grade grades.

Recommendation No. 2: It is possible that the recommendation to revise the grocers bag list may delay OPA action on this appeal. If so—rather than permit the present situation to deteriorate further—your committee recommends an interim action of a 2/5 advance in all grocers and variety bag discounts under the present base lists. This would give the manufacturers a weighted average approximately the same as they would receive under recommendation No. 1.

Your committee is convinced that such action is necessary to prevent a continuation of the trend which has already reduced the grocers and variety bag production to 60 percent of its prewar tonnage, has completely put out of business no less than seven independent converters, and has inflated the cost of packaging supplies to every retail store which needs bags in the conduct of its business.

In that connection, it is perhaps proper to comment, here, upon the threat which this situation holds for the entire kraft paper industry. It is a serious matter to jeopardize a market which, in normal competitive times, consumes 40 percent of the kraft paper industry's total production; because the opportunity for the mills to dispose of their entire production in higher grades will not last indefinitely. As a matter of fact, that demand is fictitious today, to the extent that higher grades are being substituted for grocers and variety bag papers purely because of the inadequate supply of the latter grades.

In conclusion, your committee would like to quote from an earlier report, submitted to OPA in August 1942 with respect to the degree to which the price on grocers and variety bags (even when available in ample quantities) affects the national cost of living.

"There were in the United States 1,032,524 retail outlets using paper bags. Hence, the annual cost per retail outlet for grocers' bags, at present maximum prices, is less than \$50 per annum, and a 5-percent increase or decrease would add or subtract from the operating costs of the average retail unit approximately \$2.50 per annum or less than 5 cents per week. These 1,032,524 retail outlets did a volume of business in 1939 estimated at \$26,155,433,000. Grocers' bag costs were less than one-fifth of 1 percent of dollar volume (0.199 percent). A 5-percent change in grocers' bag prices would amount to less than one one-hundredth of 1 percent of the sales dollar (0.0099 percent)."

Believing that this is a situation in which OPA can and should exercise its discretionary powers, the grocers and variety bag industry appeals for prompt correction of the present maladjustment of grade differentials, which is causing such serious dislocation of the industry and creating inflated costs to the consumer.

Respectfully submitted.

H. S. DANIELS, *Chairman.*

OPA ADVISORY COMMITTEE,
New York 17, N. Y., May 8, 1946.

HON. ROBERT F. WAGNER,
Senate Banking and Currency Committee,
Senate Office Building, Washington, D. C.

DEAR MR. WAGNER: This letter is in response to your telegram. We would be pleased if you would have this statement included in the record of hearings before the Senate Banking and Currency Committee concerning pending legislation to extend price control.

The OPA Advisory Committee for the Greenwood Specialty Paper Industry has formally recommended to the Price Administrator elimination of price control from groundwood papers. The Groundwood Paper Manufacturers Association has gone on record as desiring the complete elimination of price control from paper-making materials, paper, and paper products. Although both groups feel confident that the reasons which impel them to take this position apply with greater or less force to all industry, neither group has felt that it was within its province to attempt to speak for any part of industry other than its own.

The reasons why the groundwood paper industry desires the elimination of price control are as follows:

1. The only purpose properly served by Government control of prices in a democratic nation and the expressed purpose of the Price Control Act is to prevent unwarranted price increases which might result from the diversion of goods from normal trade channels to war uses.

In the paper industry as a whole and in the groundwood paper industry in particular, this reason no longer exists. Reconversion was never a substantial factor, and reconversion, to the minor extent that it did exist, has been completely accomplished. Government demand for the products of the industry is at or below peacetime levels. The industry is operating at a higher rate than ever in history, and all of its products are going through normal channels. If price controls are continued, it can only be on the theory that the Government should attempt to control economics at all times when supply and demand are out of balance. This means, of course, permanent Government dictatorship of industry, because, except momentarily, supply and demand are never and can never be in exact balance.

2. When the extraordinary circumstances which justify price control are not present as in the paper industry today, the continuance of price control exaggerates apparent demand. Buyers can and do order speculatively in the hopes of obtaining a disproportionate share of available goods without any fear of bidding up prices. Normally, exaggerated demand means higher prices, which in turn leads buyers, in order to keep cost as low as possible, to order in line with needs. If this actual demand exceeds supply, more facilities are built and productive capacity increased to meet demand. At the present time in the paper industry, apparent demand exceeds capacity to produce. No one knows or can know what actual requirements are, although everyone knows that actual requirements and apparent demand bear no demonstrable relationship to each other. Under these circumstances, increases in capacity to produce may be either too great or too little, depending upon the gullibility of investors. The economic controls which normally result in adequate, but not vastly excessive productive capacity, are not operative and cannot become operative so long as price control continues.

3. Due to the extreme complexity of the problem, price control in the paper industry has been ineffective and discriminatory. Warranted price increases have been denied or delayed so long as to amount to denial. The result has been reduction or elimination of least profitable grades of paper and increased production of more profitable and higher priced grades. This has meant, of course, that while prices as such have remained stable, cost to the user has increased very substantially, and there has not been an effective real price control. In addition, large users have bought paper mills in order to assure themselves of desired grades of paper regardless of ceiling prices. The result is that smaller consumers have not only been placed at a competitive disadvantage, but have had sources of supply wholly eliminated.

In conclusion, therefore, we feel that continuation of price control in the paper industry and particularly in the groundwood paper industry will inevitably mean further distortion of supply-demand relationships. Therefore, it is felt that, should OPA be continued, mandatory provision should be included in the act providing for elimination of price control in industries where and when production reaches normal peacetime levels.

For the OPA Advisory Committee for the Groundwood Specialty Paper Industry.

E. G. MURRAY, *Chairman.*

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 2061

THE BROWN-BRIDGE MILLS, INC.,
Troy, Ohio, May 6, 1946.

The Hon. ROBERT F. WAGNER,
Senate Office Building, Washington, D. C.

DEAR SIR: Thank you for giving me the opportunity to express my views concerning pending legislation to extend price control. The industry, of whose industry advisory committee I am the chairman, is a small but very vital part of our national economy. It makes products used essentially in shipping. Tags, sealing closures, the manufacture of corrugated boxes and set-up boxes (shoe boxes are an example) all depend on us for our products. These products are papers and textiles gummed with water-soluble adhesives.

The materials we use are kraft papers, light-weight sheetings, osnaburgs (a type of heavy textile), book papers, reinforced papers, animal glues, starches and dextrines. These are not all the raw materials we use but in the main it will give your committee an idea of our purchases.

It is clear that we must compete in purchasing just as we must in selling. Price control removes competition in purchasing. The textile manufacturer may be able better to dispose of his goods in other directions than ours. We cannot increase our bid to obtain goods because of price control.

The grain processor from whom we buy starches and dextrines cannot purchase competitively because of price control.

The animal-glue manufacturer fails to get enough bones because of black markets resulting from price control.

Wood for paper is not in sufficient supply because price controls operate against its removal from the forests.

These simple economics must be boring and elementary to your committee, but the obvious cure is to let economic laws work out the problem. You can't regulate one part of our economy without regulating all parts, and the regulation of all our economy is something else besides democracy.

Speaking for the gumming industry, we are strongly against extension of price controls.

Very truly yours,

J. A. SHARTLE,
Chairman, Gumming Industry OPA Advisory Committee.

AMERICAN TURPENTINE FARMERS ASSOCIATION COOPERATIVE,
Wiggins, Miss., May 8, 1946.

Hon. ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Washington, D. C.

DEAR SENATOR WAGNER: Answering your telegram, the naval stores (turpentine and rosin) industry is very anxious that all price controls on turpentine and rosin be removed immediately. Neither turpentine nor rosin is a so-called cost-of-living item. The cash value of the gum naval stores crop this year will approximate \$40,000,000. This sum can scarcely be considered significant in the national economy.

Production of naval stores is appreciably increasing, stocks are beginning to accumulate in producers' hands, and price controls are accentuating this situation, and are causing market prices to decline. Prices of some rosin grades are now significantly below ceiling prices. Producers are not in position financially to carry any inventory. In this respect they are in the same position as any other cash crop farmer.

In my opinion the main trouble with the Office of Price Administration is that it tries to control too many unimportant items, such as turpentine and rosin.

In this connection, I attach copy of letter that the American Turpentine Farmers Association Cooperative (representing by volume approximately 90 percent of the entire production of gum naval stores in the United States) addressed to Hon. Paul Porter, Administrator, Office of Price Administration, dated April 25, 1946.

Insofar as the naval stores industry is concerned, we are convinced that it will be better for all concerned that all price controls on naval stores be removed immediately.

Respectfully submitted,

ROBT. M. NEWTON,
Chairman, (Gum) Naval Stores Industry Advisory Committee to OPA.

AMERICAN TURPENTINE FARMERS ASSOCIATION COOPERATIVE,
Valdosta, Ga., April 25, 1946

Hon. PAUL A. PORTER,
*Administrator, Office of Price Administration,
 Washington, D. C.*

DEAR MR. PORTER: With reference to our conference in your office on April 24, with regard to our request that ceilings be removed on gum turpentine and gum rosin.

As pointed out to you, the 1946 production season of these commodities is now well advanced and the ensuing production, together with the carry-over, particularly of rosin, on April 1, 1946 (the beginning of the current season), is having the effect of decreasing prices and is resulting in an alarming accumulation of these products in the hands of producers which they never have carried and cannot now undertake to carry because of their lack of adequate financial resources.

Prior to the advent of ceilings, these accumulated stocks were invariably carried by dealers and consumers. You will appreciate that the application of ceilings has removed all incentive for these people to carry stocks because, among other reasons, the speculative feature has been removed. It was because of this speculative incentive that these dealers and consumers previously carried substantial inventories. Moreover, the lack of certain other end product materials, together with absolute ceiling protection, has caused consumers to buy currently, from hand to mouth, so to speak, rather than accumulate inventories. Another substantial contribution to this lack of consumer buying is the rigid control of exports maintained by the Office of International Trade Operations of the United States Department of Commerce. You can readily see that these factors are causing the dearth of buying activity with the resultant accumulation of stocks in the hands of producers.

It is a matter of common knowledge that rosin prices, particularly, are now weak, because of the lack of buying and the consensus of producer opinion is that rosin prices will further weaken in the face of accelerated production activities on the one hand and, on the other, the knowledge by consumers that under existing conditions prices can only fluctuate downward.

This matter of ceiling removal was carefully considered at our recent annual membership meeting at Valdosta and subsequently by our board of directors. The unanimous decision has been to request your Administration to remove ceilings on gum turpentine and gum rosin. We believe that Directive No. 68, issued July 25, 1945, by the Office of Economic Stabilization, provides ample justification and procedure for the removal or suspension of ceiling regulation MPR 561, as amended. We unalterably feel that removal of price ceilings on these products would not increase market levels. Conversely, it is probable that such removal would result in a lowering of prices if for no other reason than that production from now on until October will be at its seasonal peak. Moreover, producers and consumers alike reasonably feel that, with improved labor conditions, the crop this year will considerably exceed the 1945 production.

Directive No. 68, section 2 states: "The Price Administrator is authorized to suspend price control * * * if in the judgment of the Price Administrator the sales involved are in the aggregate insignificant in the economy and further control involves administrative difficulties which are disproportionate in relation to the effectiveness of the control or the contribution to stabilization." The cash value of the gum naval stores crop this year will approximate \$40,000,000. This sum can scarcely be considered significant in the National economy. Moreover, control of price ceilings among 20,000 to 30,000 gum producers, not to mention several thousand dealers, distributors, and consumers, throughout the United States present obvious administrative difficulties which, in our opinion, are disproportionate in relation to the contribution made to stabilization.

Further, under section 3 of the Directive No. 68, the Price Administrator may recommend to the Director of Economic Stabilization the suspension or exemption from price control of a commodity or transaction when in his judgment such action is not consistent with the purposes of the stabilization laws. In this regard we call your attention to the acknowledged fact that neither gum turpentine nor gum rosin is a so-called cost-of-living item. Also, we should like to point out that current stocks of gum rosin now are substantially in excess of demand and, with the peak producing season before us, this situation will be greatly accentuated. We feel that you would be justified in considering suspension either under section 2 (b) or under section 3, or both.

Were it not for the rigid export control exercised by the Department of Commerce, suspension of price ceilings on gum turpentine and gum rosin might

conceivably result in efforts by some industrial users to acquire more stocks than would actually be required. But with the knowledge that exports for the period April through September are limited to 250,000 drums of rosin, we are confident that no such excess accumulations would follow a suspension of MPR 561, as amended.

The present situation is desperate in its effect upon producers. While prompt action on your part to suspend ceilings will not be a cure, it certainly would afford some relief with regard to the progressively accumulating supplies in the hands of producers. The absence of such relief inevitably will cause a substantial reduction in price and, considering current high production costs, curtailment in needed production this year.

Your prompt consideration and advice in regard to the foregoing will be appreciated.

Sincerely,

AMERICAN TURPENTINE FARMERS ASSOCIATION COOPERATIVE,
By A. L. BROGDEN, *Special Representative.*

WILLIAM T. BRYAN & Co.,
New York City, May 8, 1946.

HON. ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee, Washington, D. C.

MY DEAR SENATOR: In accordance with your request made in your telegram of May 3, 1946, the following telegram was forwarded to you on May 8, 1946:

"In accordance with your request telegram May 3, I consulted with industry advisory committee for handkerchief industry and their recommendations are that all price regulations affecting textiles and products made therefrom be eliminated no later than June 30, 1946. In the alternative, if that proposal is not adopted, that all recommendations of all industry advisory committees with regard to price ceilings or decontrol be mandatory upon the Office of Price Administration."

Very respectfully yours,

WILLIAM T. BRYAN,
Chairman, Handkerchief (Manufacturers) Industry Advisory Committee.

GENERAL HARDWOOD CO.,
Detroit 12, Mich., May 6, 1946.

HON. ROBERT F. WAGNER,
*Chairman, Senate Banking and Currency Committee,
Washington, D. C.*

DEAR SENATOR WAGNER: In response to your wire of May 4, requesting a brief statement concerning "pending legislation to extend price control" I wish to submit the following:

OPA's failure to take proper and suitable action since the ending of the war in Japan can be held fully responsible for our present disastrous economic condition.

Price control as a war measure was only workable in conjunction with rationing and wage stabilization. With these two controls removed, price control and OPA's bungling methods have created inflation and legalized black markets (premiums for differentials which we are forced to pay which prior to OPA were included in the general price) to say nothing of the tremendous illegal black market.

OPA has caused inflation through higher prices for cheaper quality goods, and pricing quality goods at unprofitable prices causing them not to be made at all, and to disappear entirely from the market. Even when OPA had quality men and the manpower, it didn't function efficiently. The degree of success that price control attained during the war was due largely to patriotism. The war being over, that feature is no longer present and disaster reigns.

OPA's bungling has caused false shortages which could easily have been avoided had the price control system been workable during peace time.

Further delay in removing all commodities from price control will only make the situation worse. With removal of price control, rapid inflation, for a short period, is to be expected, but buying will slacken accordingly and when production, with its latest improvements, is given a free hand, it will soon flood the market

with quality commodities in quantity. Competition will readily cause deflation to set in and prices will again seek their proper level.

Our lumber yards have been reduced to emptiness and our pockets will be in the same category if this condition is permitted to continue any longer. Commodity price controls should be removed immediately.

Very truly yours,

VIRGIL J. LEECH,
Chairman, OPA Industry Advisory Committee for
MPR 467 (Hardwood Distributors Yards).

THE FRANK H. LEE CO.,
Danbury, Conn., May 9, 1946.

Re: Confirmation of wire.

Senator ROBERT F. WAGNER,
Chairman, Banking and Currency Committee,
Washington, D. C.

DEAR SENATOR WAGNER: We wired you today as follows: "Have not been able to answer your wire of May 3 as I have been out of town until today. Advise extension of OPA as passed by House bill. However do not see why any extension of OPA should be considered until Federal labor legislation is revised and put on a sound basis, otherwise price increases are inevitable beyond control of OPA."

Very truly yours,

THE FRANK H. LEE CO.,
F. H. LEE, Jr.,
Chairman (Hat and Cap Manufacturers)
Industry Advisory Committee, OPA.

ROBERT C. LITCHFIELD,
New York 17, N. Y., May 7, 1946.

Senator ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
United States Senate, Washington, D. C.

DEAR SENATOR WAGNER: As chairman of an OPA industry advisory committee, the writer is grateful for the opportunity to express his views regarding price control, as suggested in your telegram of May 3, 1946.

It is my opinion that the OPA is entirely incapable of controlling the present price situation. By attempting to control prices on so many products, they are doing a poor job on nearly everything.

The important basic necessities which should receive OPA's attention are food, clothing, and rent. It is my recommendation that OPA be extended but that their authority be limited to food, clothing, and rent. By devoting their entire efforts to the control of these basic items, OPA could become more effective than they have been heretofore.

In releasing control of prices on all items but the above, it is recommended that manufacturers doing a Nation-wide business be requested by some Government agency to widely publicize suggested resale prices on products of their manufacture. In this way the public would be informed of the prices which reputable manufacturers consider fair and reasonable.

The hearing-aid industry, whose advisory committee I headed, is no longer under price control. However, the writer is in charge of sales, nationally, of electrical appliances and radios for a wholesale distributing company, and is therefore experienced in a varied list of consumer products.

The opinions expressed above are those of the writer and are not necessarily those of the company by whom he is employed.

Very truly yours,

R. C. LITCHFIELD,
Chairman, Hearing Aid Industry Advisory Committee.

NATIONAL HEAVY OUTERWEAR ASSOCIATION, INC.,
New York 1, N. Y., May 8, 1946.

Senator ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Washington, D. C.

DEAR MR. WAGNER: In response to your request for a statement concerning the pending legislation to extend price control, I beg to say that as chairman of the industry advisory committee of heavy outerwear, I have been working with OPA since the inception of price control in an effort to assist in the proper controlling of prices in our economy.

I have always felt that price control was extremely necessary and, in fact, was a major item on the home front, but the administration of price control by the Office of Price Administration has, in many instances, defeated its very purpose.

If prices had been frozen as of March 1942, and this price freeze had been maintained at all levels of production, and wages had been frozen as of the same period, price control no doubt would have operated perfectly. But in the administration of price control, prices were increased at different levels of production, such as growers, mills, and converters, and the manufacturer was required to absorb all of these increases and was frozen at a dollar-and-cents ceiling for his product.

The result as is generally known has been that low-cost volume items have necessarily disappeared from the market, and when operators were forced to pay increased wages to labor and increased prices for raw materials, they naturally had to discontinue those items which showed losses or permitted them merely to recoup their investments, with the result that production at all levels has become entirely distorted, and manufacturers have been forced to produce those items upon which they could make a profit.

Furthermore, the old-established concern, discontinuing the loss items, provided the vehicle for new people to go into new lines, and as new businesses, they were given ceiling prices far in excess of the ceiling prices of old-established concerns, with the result that inferior merchandise appeared upon the market at prices greatly in excess of the good merchandise previously made by old-line concerns.

No one can remain in business and preserve his capital, structure, and his established factory when he is forced to operate at a loss, and the matter of cost absorption has definitely discouraged and curtailed the production of the most necessary and critical items on the home front.

I am definitely for price control, but only a realistic price control that realizes that goods can be manufactured only on the basis of current costs and upon the basis of some profit, measured by the average profit of a manufacturer in a normal base year and not based upon an arbitrary period selected by OPA because OPA felt it was probably the year showing the lowest profit or no profit at all during an industry's experience.

Now, specifically regarding our industry, on February 1, 1945, OPA issued MPR 572, which is the cost-plus regulation effective March 1, 1945. Although this is a frozen cost-plus regulation, it permits the manufacturer to figure as his cost only certain portions of producing the garment, and other increased costs are required to be made up out of the frozen mark-up. Furthermore, even with what OPA considers as direct cost, that is, materials, trimmings, and direct labor, we are limited to the cost of the direct labor and the ceiling prices of materials as of March 1, 1945.

Since that date OPA has granted increases to the producers of leather and cotton and woolen fabrics which we are forced to purchase if we are to remain in business; but these increased costs may not be figured by us as cost, but handled only under absorption. The mark-up which was permitted us by OPA is the mark-up of the year 1943 reduced by 20 percent, so that OPA cannot consider that we have at present a normal mark-up. Yet, even with this roll-back we are forced to absorb OPA's increases in materials.

Furthermore, the supplies of materials, and particularly garment leather, have been reduced by 50 to 60 percent, yet we are bound by the reduced mark-up arbitrarily fixed by OPA.

Since March 1, 1945, and particularly since December 1945, at the demand of the Amalgamated Clothing Workers' Union, practically all of the manufacturers having contractual relations with the Amalgamated and suited to the demands of the union, have granted an increase of 10 cents, and in some cases 15 cents, an hour and also granted six paid holidays throughout the year. Since the freeze of price control, the industry has also granted paid vacations and 2 percent of the

pay roll for life, health, and accident insurance, none of which items may be considered as cost of manufacture under the applicable OPA regulation MPR 572.

Upon acceding to the demands of the union, our industry advisory committee has applied to OPA for relief, and it is now May—5 months having elapsed—with no relief whatsoever.

Economic principles must face the fact that cost in manufacturing must be reflected in the selling price. If a manufacturer has increased costs, these must be passed on through the different levels to the consumer level, and had this policy been followed, we would not have seen poor quality \$2.50 shorts, \$5 and \$6 men's shirts, but would have had ample supplies of materials and goods at prices a little higher than previously, but far below the present-day cost to the consumer for inferior merchandise.

The OPA regulations have been so complex that no matter how careful a manufacturer might be, it has been almost impossible to be in compliance to the letter of the law. They could be simplified considerably—in fact, many regulations for similar industries could be consolidated into one short, simple regulation.

Only if price control is reasonable and permits a manufacturer to operate at a profit are we in favor of it. If this cannot be accomplished, we are in favor of the abolishment of price control so as to give the proper spurt to production.

Full production is the answer to price control, and artificial regulations can never supplant the basic laws of economy. If price control were abolished there would no doubt be a short temporary raise in prices, but with production reaching a high level, competition would definitely enter into the picture and would, as centuries in the past have shown, have the effect of keeping prices in control.

A thorough example of this concept is the removal of ceiling prices on strawberries. I am informed that on April 12 the ceiling price on strawberries was 34 cents. Price control was removed, and on April 13 this same commodity was selling at 60 cents. On April 16 they were again offered at 49 cents, and on the same day were down to 45 cents. On April 17 the price dropped to 39 cents, and on April 20, just 7 days after the removal of the control, this commodity was selling at 29 cents, or 5 cents below the normal ceiling price.

Although strawberries are a seasonal crop, nevertheless it can be likened to melton and mackinaw cloth, which, if prices are no longer controlled by OPA, will unquestionably be advanced. But on the other hand, a good many mills will still think of future years' business and will not permit their good customers to swing away from them, and while the immediate reaction of some may be to grab all they can, I feel that very shortly after the removal of ceilings, production will control the selling prices at the mill level, the same as it will at the manufacturer's level and at the retail level.

This concept could well apply to all commodities of which today there is such an extreme shortage.

We trust this statement being sent to you will have some effect on clearing up the present muddled condition, and we trust it will be helpful to the basic economy of the country.

Respectfully submitted.

ALBERT H. OSTERMANN,
Chairman, Heavy Outerwear
Industry Advisory Committee,
Office of Price Administration.

LOCKE INSULATOR CORP.,
Baltimore, Md., May 8, 1946.

HON. ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR WAGNER: In reply to your telegram of May 3, advising that the Senate Banking and Currency Committee will be pleased to include in its transcript any brief statement I may desire to submit concerning pending legislation to extend price control, I offer the following:

I do not believe that OPA should be eliminated or crippled to the extent that it cannot reasonably, promptly and properly regulate prices, especially with reference to consumer goods. However, I do not think OPA should be extended in any form beyond April 1, 1947.

On the other hand, unless OPA can use better judgment and take more prompt action than they have in the past in allowing reasonable increase in prices to offset increases in labor and materials, then it would be much better to eliminate OPA

than to continue it, based on its past performance. In my opinion one of the greatest detriments to increased production and proper distribution of products according to the type of product required, has been the inflexible administration and enormous delay in action of OPA. An example of this situation is shown on the attached chronological list of action by OPA on price relief for our company and similar delay for our industry. To date, costs in our industry have increased from a minimum of 30 percent to as high as 60 percent over 1941, and still no relief of any kind has been granted. Since our industry has been one accustomed to low margins and low profits over costs, the minimum cost increase of any manufacturer is approximately double the previous margins over costs in 1941.

The excuse for OPA's delay has been the time it takes to process figures filed in accordance with OPA's request. The figures requested by OPA were those not readily available from any manufacturer's records, therefore, requiring many hours of extra work and much delay in submitting them. It is my opinion that any industry of our size could have its figures reviewed and relief granted by OPA within a week or 10 days' maximum, if the parties required to make such review and decision showed any reasonable degree of efficiency. In the case of our industry, we have been waiting 4 months since OPA requested figures to be filed with them, and we have waited a year from the date that OPA was requested to form an industry advisory committee, without receiving any definite relief from them.

On the other hand, other industries have been allowed two and in some cases three price increases since our industry's figures were filed with OPA, and these industries in many cases supply component parts for our industry's products, but our industry has been unable to reflect in their prices such increase in cost from other manufacturers. In one particular case I belong to another industry which filed their figures after the figures for our industry were filed and they have already received price relief, while our industry has yet to receive any action.

Very truly yours,

R. G. BELLEZZA,
*Chairman, High Voltage Insulator
Industry Advisory Committee.*

CHRONOLOGICAL TIME OF ACTION ON REQUEST FOR PRICE RELIEF

1. Formation of an OPA high-voltage insulator industry advisory committee was requested on May 6, 1945.
2. Letter was received on August 1, 1945, stating that OPA was thinking about forming a committee.
3. Further letter received from OPA on August 29, 1945, advising that they were still considering the formation of a committee.
4. After considerable pressure from all members of the industry notice was given by OPA on November 16, 1945, that a committee had been formed and a meeting would be held later.
5. The first OPA advisory committee meeting was held on January 9, 1946, at which time we were told special forms would be given us before figures could be filed.
6. Special forms were not received until January 21, 1946.
7. Our figures were filed on February 25 and figures of sufficient other manufacturers were filed by week of March 10 for OPA to take action.
8. On March 8 request was made for industry permission to use adjustable pricing basis, but to date such approval has not been given.
9. Although the situation is desperate for many manufacturers who are either faced with considerable wage increases or strikes, or have experienced both, still no information can be obtained as to what date price increase will be granted to the industry.

HIATTVILLE, KANS., May 10, 1946.

Senator ROBERT F. WAGNER,
*Chairman, Senate Banking and Currency Committee,
Senate Office Building, Washington, D. C.*

In reply to your telegram concerning pending legislation to extend price control our industry and myself in particular feel OPA through inequalities and restrictions has retarded production of feeds and livestock. Production of food equal to needs and to buying power cannot be attained with present OPA administration. Administrators of OPA definitely do not consider the views of our industry advisory committee. Also it is difficult to obtain a representative industry

committee because our views are not mandatory with OPA and members of our industry are reluctant to spend their time and money to meet with an OPA organization which gives the industry little or no consideration. Inequalities in feed and livestock price under present OPA regulation requires a farmer to buy feed above ceiling to maintain his breeding herd. I feel OPA administrators are unwilling or unable to adjust feed and livestock prices. Therefore our industry does not favor an extension of price control.

JOE G. O'BRYAN,
Chairman, Hog Producers' Industry Advisory Committee, OPA.

NEW YORK, N. Y., May 6, 1946.

HON. ROBERT F. WAGNER,
United States Senate, Washington, D. C.

Appreciate opportunity of recording with Senate Banking Committee following statement in regard to OPA. "Throughout the period, starting in 1942, the honey industry through its advisory committee has consistently been in close association with the Office of Price Administration regarding necessary procedure, but has consistently encountered deliberate and malicious delays on their part in putting regulations, mutually agreed as necessary, into effect. This finally resulted in a complete break-down of controls and a black market stronger than that existing in any commodity, including meat. Regulations agreed upon by them as advisable have been unwarrantedly held up for periods upwards of 9 months before issuance. Furthermore the Office of Price Administration has consistently refused and is consistently refusing now to do anything at all in regard to enforcement at producer levels, despite conditions existing. Legitimate packers and dealers are unable to buy any supplies at legitimate levels. Am personally strongly in favor of price control, provided it is administered in fair, quick, and efficient manner so far as honey is concerned. Believe an immediate increase of 3 cents per pound at all commercial levels is necessary and would place industry in position to operate, other alternative—complete removal of controls. If present situation not corrected promptly, the 600,000 beekeepers of America are going to suffer enormously in the postwar period when sugar again becomes available, creating a situation which cannot but result in a price debacle which will force the Government to enter a costly program to support market prices and protect the vitally necessary function of pollination."

JOHN H. PATON,
Chairman, Honey Industry Advisory Committee.

CATZ AMERICAN CO., INC.,
New York 13, N. Y., May 7, 1946.

HON. ROBERT F. WAGNER,
United States Senate, Washington, D. C.

HONORABLE SIR: I received your wire, in reply to which I am sending you herewith statement regarding the legislation now before the Senate regarding extension of the price-control laws.

I have seen with great satisfaction in the newspapers your remarks made last week regarding the damage caused by the delays in decisions, and, therefore, I believe that the proposed amendment to make decisions imperative within 30 days will do a lot of good, not only for the business world, but also for the consumer himself.

Very truly yours,

I. B. CATZ, *President.*
Chairman, Honey Importers' Standing
Subcommittee, OPA; and Secretary,
Spice Industry Advisory Committee, OPA.

CATZ AMERICAN CO., INC.,
New York 13, N. Y., May 7, 1946.

SENATE BANKING AND CURRENCY COMMITTEE,
United States Senate, Washington, D. C.

GENTLEMEN: As per request of your chairman, I have pleasure in submitting the following statement referring to pending legislation to extend price control. Price control on essential services and commodities should be continued. Price control on all other commodities should be abolished immediately.

The Office of Price Administration has defined essentials in its General Maximum Price Regulation, Bulletin No. 1, dated April 28, 1942, Appendix B, a copy of which is attached hereto.

By creating free markets for nonessentials, the production, which is now blocked in many items, will be increased. This will relieve the pressure on the consumption of essentials.

To give an extreme example:

I just returned from a European trip. In Holland people live greatly on bread and potatoes. In former times cheap fish, like fresh herring, was consumed by the population. Lack of fish nets and fish hooks restricts the fish catch. Availability of nets and hooks, therefore, would greatly reduce consumption of bread and wheat.

Here in our country hundreds of examples could be given where a larger production of nonessentials even at higher prices would within a short time reduce the cost of living by heavy production and subsequent competitive selling.

Production and distribution is retarded by slow action of the OPA and lack of attention given to expert trade advice. It is my opinion that the law should be amended to change this condition.

I have read amongst the many amendments the following, the adoption of which I believe will help larger distribution, competitive selling and, consequently, in the long run, lower prices:

“Industry Advisory Committees should be authorized to recommend to OPA when price ceilings on their products or services should be discontinued. (If OPA disagrees with recommendation, matter should then be submitted to a Board of Appeals appointed jointly by business and government, whose decision is final. Failure of decision by the Board or action by OPA within 30 days would result in the recommendation automatically becoming mandatory upon OPA)”

Very truly yours,

I. B. CATZ, *President,*
Chairman, Honey Importers' Standing Subcommittee, OPA, and
Secretary, Spice Industry Advisory Committee, OPA.

GENERAL MAXIMUM PRICE REGULATION, BULLETIN NO. 1, APRIL 28, 1942

Appendix B

COMMODITIES DESIGNATED BY THE PRICE ADMINISTRATOR AS COST-OF-LIVING
COMMODITIES

(NOTE.—For the commodity classifications marked by asterisks, maximum prices may be posted by price lines at the place in the business establishment where the commodities are offered for sale, provided that, in addition, the selling price of each commodity in such classification shall be marked on the commodity itself. See section 13 of this Regulation.)

TOBACCO, DRUGS, TOILETRIES, AND SUNDRIES

(All brands, grades, and sizes, except where otherwise indicated)

<p>Tobacco: Cigarettes Smoking tobacco, in cans and packages Packaged household drugs: Aspirin tablets Milk of magnesia, liquid Cod liver oil, liquid Epsom salts Boric acid Castor oil and mineral oil Witch hazel and rubbing alcohol</p>	<p>Toiletries and sundries: Hand and toilet soaps Dentifrices (paste, powder and liquid) Shaving cream Toothbrushes Sanitary napkins Razor blades Facial tissues Infants' food: All types Ice cream: Bulk and packaged</p>
---	---

APPAREL AND YARD GOODS

Men's and boys' clothing:	
Suits, business and sport*	Skirts
Overcoats, topcoats, and raicoats, business and sport*	Blouses and shirts, tailored, rayon or cotton*
Trousers and slacks, dress, sport, and wash*	Sweaters
Men's shirts, other than formal*	Children's jackets*
Pajamas and nightshirts, cotton, wool and part wool*	Nightgowns and pajamas, other than silk*
Shorts, cotton	Robes and house coats, flannel and cotton*
Undershirts, cotton knit	Children's overalls, slacks, sun suits and shorts (cotton only)*
Union suits	Children's snow suits*
Hosiery, other than pure silk and pure wool*	Infants' clothing:
Felt hats*	Diapers
Work shirts	Dresses, other than silk
Work pants	Shirts
• Overalls and coveralls	Binders
Sweaters	Sleeping garments
Mackinaws*	Coats, cotton, wool, part wool
Jackets, boys' only*	Snow suits
Men's work gloves	Sweaters
Boys' gloves and mittens	Sunsuits (cotton only)
Boys' blouses and shirts	Yard goods:
Boys' snow suits*	Cotton yard goods
Women's and girls' clothing:	Rayon yard goods
Coats, untrimmed and fur-trimmed, sport and dress*	Wool and mixtures of wool
Suits*	Footwear:
Dresses, street and house*	Street, work, dress, and sport shoes for men, women, and children*
Hosiery, including anklets*	Infants' shoes
Panties and slips*	Rubber footwear
Foundation garments and bras- sieres*	
Women's gloves, children's gloves and mittens*	

FOOD AND HOUSEHOLD SUNDRIES

Meat:	Canned fruits, vegetables, and juices:
Fresh beef:	Canned peaches
Rib roast	Canned pears
Chuck steak	Canned pineapples
Top round steak	Canned corn
Rump roast	Canned peas
Chuck roast	Canned tomatoes
Beef liver	Canned pork and beans
Ground round steak	Canned green beans, cut
Pork:	Canned tomato juice
Loin whole roast	Canned grapefruit juice
Rib end roast	Canned pineapple juice
Loin end roast	
Best center cut chops	
Bacon	
Ham, whole, half or sliced	
Salt port	
Other meat products:	
Cooked or smoked ham	
Frankfurters	

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 2071

OTHER GROCERIES AND HOUSEHOLD SUNDRIES

Canned salmon	Lard, bulk and print
Canned vegetable soup	Vegetable shortening
Canned tomato soup	Sugar, all types, packaged and bulk
Packaged flour mixes (cake, pancake, biscuit mixes only)	Coffee
Macaroni and spaghetti, dried, bulk, and packaged	Cocoa
Rolled oats, bulk and packaged	Table salt
Corn flakes	Corn meal, bulk or packaged
Bread, all types	Toilet paper
Soda crackers	Soaps (bar, flakes, powder, chips, granular and cleansing powders)
Fresh milk and cream	Paper napkins

HOUSEHOLD FURNITURE, APPLIANCES AND FURNISHINGS

Appliances and equipment:	Furniture:
Radios and phonographs	All living room, dining room, and bedroom suites (sets or individual pieces)
Vacuum cleaners and carpet sweepers	Kitchen tables and chairs
Refrigerators and iceboxes	Studio couches and sofa beds
Washing machines	Mattresses
Sewing machines	Bedsprings
Stoves and ranges	Furnishings:
Small appliances: irons, toasters, glass coffee makers, and mixers	Rugs and carpets, size 6 by 9 feet and larger
Floor lamps and bridge lamps	Linoleum
Light bulbs	Felt base floor coverings
Ironing boards	Bed sheets and sheeting, cotton*
Step-on cans	Towels, cotton bathroom and kitchen*
Floor brooms	Blankets and comforts*
China and pottery tableware, in sets	House curtains*
Cooking utensils (10-quart pail, 2-quart saucepan, 5-quart tea-kettle)	Bed spreads, cotton*
	Tablecloths and napkins, plain and print (cotton only)*
	Window shades

HARDWARE, AGRICULTURAL SUPPLIES, MISCELLANEOUS

Hayforks	Fertilizer, bulk and packaged
Garden and lawn rakes	Vegetable seeds, bulk and packaged*
Dirt shovels	Insecticides
Axes, single bit	Bicycles, adult sizes
Claw hammers	Bicycle tires
Handsaws	Flashlights
Inside and outside house paints (ready mixed)	

ICE, FUEL, AND AUTOMOTIVE

Ice	Kerosene
Coke	Fuel oil
Coal (hard and soft)	Gasoline
Charcoal	Oil
Firewood	Tires and inner tubes

SPALDING KNITTING MILLS,
Griffin, Ga., May 7, 1946.

HON. ROBERT F. WAGNER,
*Chairman, Senate Banking and Currency Committee,
United States Capitol, Washington, D. C.*

DEAR MR. WAGNER: Thanks very much for your wire stating that your committee will be pleased to include in its transcript any brief statement that I would like to submit concerning the pending legislation to extend price control.

I will make my statement very brief, as requested.

First. I definitely feel that OPA should be continued after June 30, 1946.

Second. A provision should be written into the new law that would govern when each item is to be removed from price controls. By so doing price control would be removed gradually which is the only sensible way to do it.

Third. OPA should be prohibited from using its maximum average price plan or any other such plan. This order has held back and delayed production as much and if not more than anything else. Had it not been for this order, there would have been on the market a great many more textile items at ceiling price than there are today. It is my opinion that Congress did not give OPA power to control production and prices in such a manner as is controlled by their maximum average price plan.

I have attended many meetings with officials of OPA and it is my feeling that one of their main policies has been to promise and delay. This has been done time and time again. For example, we were promised relief under S. O. 154 for hosiery by April 1. This new order has not been issued by May 4.

Thanking you for putting the above in your transcript.

Yours very truly,

ROBERT P. SHAPARD, Jr.,
Chairman, Hosiery (Infants' and Childrens') Industry Advisory Committee.

WILCOX, CRITTENDEN & CO., INC.,
Middletown, Conn., May 7, 1946.

ROBERT F. WAGNER,
*Chairman, Senate Banking and Currency Committee,
Washington, D. C.*

DEAR SIR: Thank you for the opportunity offered to express my thoughts on the OPA.

The basic trouble with the OPA has been its stubbornness and its rigidity.

The minutes of industry advisory committee meeting hearings will show that very few, if any, of the recommendations made by industry have been given consideration at all.

For some reason the minutes of such advisory committee meeting hearings are considered secret, and in most instances the minutes are so edited and rewritten, although an actual transcript is taken at the hearing, that what is finally issued as the minutes is incomplete and not a true statement of the hearing. Copies of these edited and revised minutes are usually not even available to the members of the advisory committee, and in most instances a copy is only given to the chairman of the advisory committee and he is almost pledged to secrecy.

Several members of various industry advisory committees to whom I have talked consider attendance at such hearings a waste of time and needless expense. I would say the general impression is that these hearings have been used to camouflage the action of the OPA, creating the impression that industry has concurred in the OPA regulations.

Definite revisions should be made in the new law specifying that OPA regulations would be removed from an industry when: (a) the capacity of the industry is 10 percent greater than present volume; (b) when the current production volume of industry is equal to the 1941 production volume.

Maximum average price rules should be eliminated.

The law should specify that price raises will be granted when all current costs indicate that a prewar rate of profit is not being earned, and the raise should be sufficient not just to cover costs, but to permit the average prewar rate of profit.

Items which do not affect the everyday cost of living should be exempted from OPA regulations. OPA has done this lately in exempting such things as incense, sofa cushions, fly swatters, and many other similar items. The expense of maintaining a staff in OPA to keep regulations on such items is a greater burden on the taxpayers than even a reasonable increase in the price of these articles would be.

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 2073

The law should specify that requests of individual manufacturers for price increases to grant them an average or reasonable profit over their current costs should be granted promptly. The output of many small concerns needs the stimulation of an average profit if the volume of goods demanded by the consumer market is to be increased. Many small concerns are not covered by an industry association, so that industry action is impossible for them. Further, an industry might be granted price relief which would not be sufficient for some individual company and yet the output from that individual company, even if sold at a slightly higher price, is essential in filling consumer demands.

Provision should be made for individual company's requests for price raises to be handled by local OPA offices speedily and definitely.

The OPA budget should be reduced so as to eliminate entirely their publicity department, and their present practice of issuing misleading and incorrect propaganda should be stopped.

If there is anything good and justifiable in the OPA, such false and misleading propaganda is not necessary.

I am not in favor of the elimination of OPA completely. However, it has proven itself to be incapable of acting in an intelligent and practical manner, and therefore the new law must lay down the rules under which it is to operate.

I would consider a 9 months' extension of OPA adequate at this time.

Yours very truly,

PHELPS INGERSOLL,
Chairman, Hot Dip Galvanizers Industry Advisory Committee.

PFÄELZER BROS.,
Chicago 9, Ill., May 7, 1946.

Senator ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR WAGNER: In response to your wire regarding statement concerning pending legislature to extend price control, I am enclosing herewith my statement for the transcript.

I appreciate the opportunity of presenting my views before your committee, and I surely hope that the result of your committee's investigation will prove of benefit to our country as a whole, and help take us out of the chaotic condition in which we are finding ourselves more and more each day.

Sincerely,

ELLARD PFÄELZER,
(Hotel Supply House Industry Advisory Committee.)

STATEMENT FOR THE TRANSCRIPT OF THE INVESTIGATION OF THE SENATE BANKING AND CURRENCY COMMITTEE, CONCERNING PENDING LEGISLATURE TO EXTEND PRICE CONTROL

My name is Ellard Pfaelzer. I am a partner of the firm Pfaelzer Bros. located in Chicago, Ill., and our firm is classified as a hotel and restaurant supply house. I am chairman of the hotel and restaurant supply house industry advisory committee, and have been active with various governmental agencies pertaining to price control and rationing, as affecting our particular industry, since the inception of price control. For a considerable period of time I was a consultant to the Office of Price Administration in regard to price and also in regard to rationing.

I was a member of the original committee that was responsible for writing definitions pertaining to various primal beef cuts, as well as fabricated beef cuts as defined in RMPR 169, which is the maximum price regulation covering beef and veal carcasses, wholesale cuts, and fabricated cuts. I was also a member of a committee which helped write and set prices as are defined in RMPR 239, which is the maximum price regulation governing carcasses, wholesale cuts, and fabricated cuts pertaining to lamb and mutton. I was also part of the original committee that worked on various other regulations pertaining to price control affecting meat, pork, sausage, and offal.

I have been a staunch supporter and believer in OPA, and feel that much good has been done by having price controls and other wartime restrictions. Many orders and controls binding our industry have been quite severe in their interpretations, but regardless of the severity of these orders, I believe there has been a sound fundamental basis for the issuance of such orders.

Unfortunately, recently the meat industry has found itself in a very deplorable situation, due in part to the inability of the Government being able to enforce with too much degree of efficiency many of the penalties for violations pertaining to the regulations, the result of which has been the expansion of the illegitimate operator. Many of these illegitimate operators of today are honest, law-abiding citizens who have been forced into this illegitimate type of operation because of the unwillingness of OPA to cooperate with industry, and amend regulations where industry could operate on a legitimate basis. OPA has apparently failed in its attempt to understand that business must make a fair and legitimate profit in order to stay in business, and when these situations have been presented to OPA, quite often they have taken the attitude that industry can and must absorb increased costs of doing business, and must comply with the regulations regardless of the consequence. The result of such indifference has been that many a legitimate operator was forced either to cease operation, or continue in the illegitimate field.

Many iniquities now exist in many regulations covering not only the livestock and meat regulations, but also covering regulations governing our segment of the industry. I believe the time has come when OPA should be willing to concede that industry has a stake in the future economy of our country, and that OPA should be willing to make certain concessions that would help the situation rather than try to think up new controls and regulations to further stymie industry. As an example of putting new controls and regulations on the industry, OPA recently issued an amendment to the slaughter regulation whereby an automatic withholding of subsidy took effect when an operator was out of compliance, regardless of the reasons. At the time this order was issued, the writer pointed out to various members of the OPA that by the issuing of this amendment, the only person or persons that it would affect was the legitimate operator, because the illegitimate operator was not too much concerned as to whether he received subsidies or not. This recent amendment was another case where nothing was being done that would stymie the illegitimate operator, but something was being done that would make it harder and more costly for the legitimate operator to work. Regardless of these recommendations, OPA issued their orders with the net result, as indicated before, that only the legitimate operator was affected, and in many cases were forced to cease operations entirely because of the tremendous penalties attached to this order.

It is my further belief that OPA should immediately start to decontrol instead of trying to further control as they apparently are. A concerted effort should be made to eliminate the many iniquities that now exist in many regulations, and that regulations need simplification and not further confusion. I do not believe that this is the time to do away with all regulations. Since governmental and other demands still result in a shortage of supply, I believe it is necessary that we retain price control.

As past chairman of the board of the National Association of Hotel and Restaurant Meat Purveyors, and as chairman of our industry advisory committee, I recommend the following:

1. That the life of OPA be extended for 6 to 9 months after June 30, 1946, or to the time that merchandise is available in sufficient quantities to alleviate any shortages.

2. That a committee composed of government and industry be formed as an advisory group to scrutinize all regulations with the definite purpose of eliminating those that are unworkable and simplifying those that are workable, as well as to attempt to further strengthen those that are applicable and help to standardize prices and retard inflation.

3. That Congress appropriate enough moneys and direct the usage of enough manpower to the Office of Price Administration so that the job necessary to enforce the regulations can be done effectively, and that Congress also ask the cooperation of other branches of the Government, such as the Bureau of Internal Revenue, Justice Department, and any other agencies that might be helpful in stamping out black markets and its operators.

4. That Congress insist that the President direct an order to the Office of Economic Stabilization to direct OPA to act immediately in granting industry fair and equitable margins of profit in the operation of their businesses.

5. That the recommendations pertaining to the future existence of OPA, as submitted by the House, be modified to the extent that the above-mentioned suggestions can be carried out; and

6. That unless recommendation No. 3 can be acted upon favorably, namely, that Congress appropriate enough moneys and direct the usage of enough man-

power to the OPA so that the job necessary to enforce the regulations can be done effectively, and if Congress should decide that no further relief in the form of manpower or moneys can be appropriated to OPA, then it is recommended that all controls and price ceilings on meats and livestock be removed immediately so that the legitimate operator could be put in a position to compete with the illegitimate operator and will have an equal chance to exist.

Respectfully submitted.

ELLARD PFAELZER.

WM. H. W. QUICK & BRO., INC.,
Philadelphia 4, May 7, 1946.

HON. ROBERT F. WAGNER,
*Chairman, Senate Banking and Currency Committee,
Senate Office Building, Washington, D. C.*

DEAR SENATOR WAGNER: In accordance with your request telegraphed me May 3, 1946, I am pleased to submit the attached statement concerning the attitude of the Housing Rent Industry Advisory Committee to OPA, for inclusion in the printed hearings on the extension of OPA rent control system.

Sincerely,

H. WALTER GRAVES,
Chairman, Housing Rent Industry Advisory Committee to OPA.

Enclosure.

STATEMENT OF H. WALTER GRAVES, CHAIRMAN OF THE HOUSING RENT INDUSTRY ADVISORY COMMITTEE TO OPA., CONCERNING EXTENSION OF OPA RENT CONTROL SYSTEM

The Housing Rent Industry Advisory Committee to OPA has carefully reviewed the operation of the rent control system and after thorough study has concluded that some increase in rents is necessary if the rent control system is to be continued.

At the last meeting in Chicago our committee recommended to the OPA that a blanket increase in rent be approved. No specific percentage of increase was recommended, since it was our feeling that this could be determined by OPA itself.

For many months our committee, which is strictly an advisory one, has been implored by the various sectors of the industry to urge upon the OPA a rental increase. We refrained from taking such action to avoid use of the committee as a pressure group, but the necessity for such an increase has become so apparent that such a recommendation no longer could be withheld.

During our deliberations we early reached the conclusion that drastic readjustment of the OPA rent control system was necessary. We have made recommendations to the OPA hoping if they were adopted to bring this about. The lack of flexibility, the dependence upon directives from Washington instead of upon the discretion and good judgment of local administrators, the rigidity with which the rent line has been held, and other factors have placed a heavy burden upon the owners of rental property. So heavy has this burden become that rental accommodations by the hundreds of thousands have been driven from the market, and of the large amount of building that has been started only a small portion of it represents apartment or other rental units.

In the face of this situation we feel it is to the credit of the organized real-estate industry that an enormous black market in real estate has not swept the country. The industry, through its various groups, has done much to restrain individual operators and property owners and it should, we feel, be given credit for this fact. However, the conclusion has been inescapable that the only way to provide more rental units in the present critical housing shortage would be to allow a reasonable increase in rents and therefore create some incentive for building and operating rental property. The industry has not recommended the termination of rent control, but it believes that the only way in which the industry will ever be ready for complete decontrol is to so administer rent control as to encourage rather than discourage the rapid construction of housing, both rental and other.

The rental market is being liquidated and the only reason for this liquidation is the refusal of OPA to allow sufficient rents to make property ownership either attractive or worth while.

In our studies of the rent control system we have taken into account not only the ownership of property, but the various elements which make up the real

estate and building market. Thus, we have counceled with real-estate groups, mortgagees, home builders, savings and loan associations, the apartment owners association, and others concerned. As a result, our recommendation to the OPA and to your committee that a blanket increase in rentals be allowed reflects the opinion of not one segment of the real-estate industry but all of the elements that make up the general housing market.

We are aware that various amendments have been offered to your committee by interested groups, which in one way or another advocate an increase in rentals. While this committee is not concerned with any of these specific suggestions, inasmuch as they reflect the unanimous opinion of the industry that an increase in rents is needed, we are in accord with that objective. The situation is serious. It is contributing enormously to the housing shortage and prompt action to place rents on a fair level with the balance of the economy is imperative.

This conclusion has not been arrived at hastily. It represents honest analysis of the situation, with full consideration given to the real objectives of rent control as well as to the needs of the industry, and it is offered in the sincere hope that the opinion of our committee will be carefully weighed during your deliberations.

ABBOTTS DAIRIES, INC.,
Philadelphia 47, Pa., May 9, 1946.

Mr. ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Washington, D. C.

DEAR MR. WAGNER: Upon receipt of your telegram of May 3, I sent an air-mail letter to all of the members of the OPA Ice Cream Industry Advisory Committee, informing them of its contents and asking their opinions. I have received their answers by wire and telephone.

Their replies indicate that a majority favor a program for the removal of agricultural commodities (which includes milk and the products made from milk) from price control under the reasonable standards of the Gossett amendment. One member feels the effect of the Gossett amendment will be too drastic and favors the orderly reduction of subsidies on milk and milk products and corresponding gradual increases in price to the public, with the elimination of dairy product price controls by early 1947.

The committee favors the transfer of all controls of dairy products from OPA to the United States Department of Agriculture and to continue only so long as the control policy remains in force.

We are opposed to contemplated orders imposing limitations or restrictions on the sale of any dairy products because this only encourages black-market operations.

Very truly yours,

RIDGWAY KENNEDY, JR.,
Chairman, OPA Ice Cream Industry Advisory Committee.

OMAHA, NEBR., May 7, 1946.

ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Senate Office Building:

This will acknowledge receipt of your invitation wired to me at Mills Industries. Will be in Washington tomorrow to present statement concerning legislation to extend price control. Thank you for your invitation and consideration.

STERLING F. SMITH,
General Sales Manager, Baker Ice Machine Co., Inc.,
Ice Machine Industry Advisory Committee.

NATIONAL ASSOCIATION OF LEATHER GLOVE MANUFACTURERS, INC.,
Gloversville, N. Y., May 6, 1946.

Senator ROBERT F. WAGNER,
Senate Banking and Currency Committee, Washington, D. C.

DEAR SIR: Upon receipt of your telegram of May 4, requesting the views of the industry relative to pending OPA legislation, I immediately contacted many of the most important producers in the industry to learn their sentiments. The

following is, therefore, an accurate, authentic opinion of by far the largest majority in both numbers and percentage of production.

We advocate the complete removal of the leather glove industry from any form of price control for the following reasons:

(1) We believe that any restrictive regulation that fails to stimulate production and increase the flow of goods is more dangerously inflationary than a temporary percentage rise in selling price.

(2) While OPA regulations have served a very useful purpose in the past, they have now reached a point where they defeat their purpose by tending to decrease, rather than increase, the flow of finished goods and their component raw materials, because—

(a) Producers can no longer recover increased costs of labor, material, and distribution, plus a reasonable profit.

(b) The insurmountable time lag in obtaining necessary relief and authorized ceiling prices on new items.

(3) The large bulk of all leather gloves produced in this country is made from raw skins imported from South America, Africa, Asia, and southern Europe, over which OPA has admittedly little or no control. Glove producers in Argentina, England, France, Czechoslovakia, Belgium, and Mexico, are currently offering much higher prices for the raw skins than our own regulations permit us to indulge in. Obviously, our inability to compete for the purchase of raw materials in world markets will further tend to decrease American production.

(4) Ironically enough, glove importations from Argentina have grown by leaps and bounds in the past 2 years. This statement can easily be substantiated by examining the statistics on imports in the Department of Commerce, Bureau of Foreign Commerce. Under existing OPA formulas in imports, such gloves are selling currently to the American public at much higher prices than American-made products of superior value. In addition, large credits have already been opened for glove imports from European countries, which will be in the hands of American distributors in the near future at prices much higher than comparable American products.

(5) Leather dress gloves are essentially a luxury product and rightfully belong in the same category as other luxury products from which price controls have already been removed. Any temporary price advances occasioned by the removal of price controls will only affect that part of the consuming public on which it will work no hardship. With a stimulated production, there will still be ample supplies in the low price brackets to take care of essential cold weather hand protection. The increased production of knit, wool, synthetic fiber, and other fabric gloves is already beginning to offer sufficient competition to prevent leather glove prices from getting out of hand.

(6) We believe that any advanced prices occasioned by the lifting of price controls will only be temporary. We believe that existing regulations underestimate the very important factor of the intelligence of both the consumer and the producer to regulate their own affairs. There is already a very noticeable tendency on the part of the consumer to resist unreasonably high prices in all apparel and accessory lines. This tendency will increase as more supplies of greater varieties and acceptable substitutes become available. This factor is of the highest importance, since it cannot help but influence the producer in his own long-range purchases and policies, with the result that prices must soon seek a stable level, due to the growing pressure of competition brought about by consumer resistance.

(7) In the event that it is deemed too drastic or premature to abandon all price control, as an alternative the pending legislation should embody the principle of stimulating production by making it possible for producers to recover cost plus a reasonable profit.

(8) In any case, we further recommend the complete abolition of MAP (OPA Order No. SO-108). This order was promulgated for the purpose of forcing a large part of production into goods of low-price brackets. While theoretically sound, after almost a year of experience and observation, it has proven almost impossible in practice and enforcement. To conscientious producers it has resulted in the creation of so-called surcharges, which would have prevented all future production, the ultimate penalty, but had to be mitigated by OPA to avoid putting them out of business. From the unscrupulous producers it has resulted in a flood of subterfuges, evasions, and substandard products that were infinitely more costly on the basis of value, judged by service or durability. The over-all result has been to divert available production and material from good merchandise

that has consumer acceptance and fills a very crying need. For your enlightenment, we are enclosing a copy of this order and its 34 amendments.

(9) Finally, speedy action and a public statement from the Senate on its policy will remove much of the uncertainty that is presently retarding production and distribution, and will enable producers of all commodities to anticipate the provisions, rather than await actual passage.

Very truly yours,

DANIEL HIGIER,
*Chairman (Imported Pecary, Carpincho, and Deerskin), Industrial
 Advisory Committee; President, National Association of Leather Glove
 Manufacturers, Inc.*

THE NEW ENGLAND BOX CO.,
 Greenfield, Mass., May 10, 1946.

HON. ROBERT F. WAGNER,
*Chairman, Senate Banking and Currency Committee,
 Senate Office Building, Washington, D. C.*

DEAR SENATOR: Acknowledging with thanks your wire of May 3, suggesting we submit a statement as chairman of the Industry Advisory Committee on RMPR 195, covering nailed wooden boxes, we are pleased to present the following:

As a result of present policies of OPA, members of the wooden-box and shook industry must operate under many inconsistencies in ceiling prices as between various orders and regulations as well as unbalanced pricing of items normally falling within the same classification. Selling and manufacturing is on a selective basis, resulting in artificial and unnecessary shortages of essential containers which through chance or neglect are underpriced. Frozen selling prices have forced manufacturers to use every available device to prevent advanced labor and material costs from putting them out of business.

We have requested, through advisory committee action, adjustment of MPR 195 ceiling levels to reflect increased costs of lumber and labor since October 1944, when selling levels were fixed as ceiling levels, but we have been denied this request with the explanation that any upward adjustment must be preceded by a review of 1936-39 earnings and studies of 1945 and first quarter of 1946 costs and earnings. We have no assurance, from past experience with OPA and observation of current handling of other lumber products, that such a cost survey would result in an adjustment short of 3 to 4 months. Nor is there any assurance that OPA will reflect current costs in adjusted ceilings.

Thus, OPA administrative policy and procedure leave us with prices related to or fixed at October 1944 selling basis but with no controls over cost of stumpage and with no method of absorbing successive advances in ceiling prices of lumber and Nation-wide labor increases, except by the laborious and impractical method of proving hardship and losses under cumbersome OPA fact-finding processes.

In view of the above, we suggest that any extension of price control shall include provisions in line with the House amendments, assuring balanced pricing, increased production, and the elimination of present scarcities and restrictive flow of essential products.

We believe the House amendments will result in a more logical and practical accomplishment of price control and will lead the way to noninflationary decontrol so urgently needed by our industry.

Yours very truly,

Nate Tufts,
 NATHAN TUFTS,
*Chairman, Industry Advisory Committee on MPR 195, (Industrial Wooden
 Containers).*

THE VAN IDERSTINE CO.,
 Long Island City 1, N. Y., May 9, 1946.

HON. ROBERT F. WAGNER,
*Chairman, Senate Banking and Currency Committee,
 Senate Office Building, Washington, D. C.*

DEAR SENATOR: Thank you for your telegram inviting our committee to submit a brief statement concerning legislation to extend price control. In the limited time which you specified, it was not possible to call a committee meeting.

Our committee represents concerns from the following industries: Fat rendering, meat packing, grease and oil processing, soap making, brokerage. A summary

of the views expressed by the 12 from whom replies were received as to extension of price control is as follows:

Three—Take no position.

Three—For continuance:

Chaos will result if control is not continued until supply equals demand.

Removal of control will not increase production (of inedible fats and oils), and continuance will benefit industry.

Price ceilings are practical, do not affect production, and check inflationary pressure.

Six—For discontinuance:

OPA has served its purpose and is no longer necessary.

Black-market operations are increasing daily. Getting increasingly more difficult to continue doing business in a legitimate manner. Enforcement has broken down.

Black-market slaughtering is causing loss of fats and oils and diversion from edible to inedible products.

We must eventually get back to the law of supply and demand, and there will be much less of a dislocation to the general economy if it is done now.

Of the group for discontinuance, the views as to time vary from immediately to not later than 60 days from June 30.

We trust that this memorandum may be of some benefit to your committee; and again thanking you for giving us the opportunity to submit it, I remain,

Yours truly,

A. M. HAYES,
(Arthur M. Hayes),

Chairman, Inedible (Animal) Fat Producers Industry Advisory Committee.

JACOBS, GROSSMAN & ROSENBERG, INC.,
Philadelphia 24, Pa., May 8, 1946.

HON. ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Washington, D. C.

SIR: Replying to your telegram of May 3, the infants' wear industry does not oppose the extension of price control, provided that certain glaring evils in its present method of operation are removed. It is absolutely imperative that certain modifications be made immediately, if full production is to be obtained and if serious hardship is to be avoided in our industry. These modifications which we recommend are as follows:

First.—We recommend the immediate elimination of the maximum average price order (SO 108). In view of the stringent shortages of raw materials with which our industry is now confronted, and in view of the substantial increases in raw material prices recently sanctioned by the OPA, it has become completely impossible for this industry to procure sufficient raw materials at low prices to meet their maximum average prices without tremendous sacrifice and loss. This regulation has forced, and is forcing, curtailment of operations and loss of production throughout our industry, and we urge that it be abolished without further delay.

Second.—We feel that, where necessary, existing OPA regulations be streamlined and revamped to meet existing conditions. We refer particularly to RMPR 287, which forces our industry to figure their direct labor costs at 1942 wage levels. Certainly it does not make sense, taking into consideration the substantial wage increases which have been given to our workers since 1942, to expect manufacturers to continue to figure their labor costs on a 1942 basis, as they are now compelled to do under this regulation. We urge that RMPR 287 be amended immediately to permit manufacturers to figure their actual present labor costs in determining their permissible selling prices.

Third.—We feel that it should be made mandatory for the Office of Price Administration to consult more fully and more heedfully with the various industry advisory committees than has been its practice in the past. If the proper consideration is given to the advice of industry, unrealistic and unworkable orders such as MAP can be avoided in the future.

We wish to thank you for the privilege of expressing our views to you on this subject, and remain

Respectfully yours,

LESTER B. MEYERHOFF,
Chairman, Infants' Wear Industry Advisory Committee.

SCHENECTADY, N. Y., May 7, 1946.

HON. ROBERT F. WAGNER,

*Chairman, Senate Banking and Currency Committee,
United States Capitol Building, Washington, D. C.:*

In reply to your telegram of May 4 regarding brief statement in connection with pending legislation to extend price control, the majority of my committee recommend, first, price controls be removed from all capital goods such as integral horsepower motors and generators. These are purchased only when benefits such as greater production, lower costs, and/or better quality will result from their use. Regardless of their price index compared to 1941 or any prewar level, their purchase and use by industry has a favorable influence on the cost of living, rather than unfavorable. Second, where price controls must be retained, the administrators of these controls should be required by law to give price relief immediately when justified and to set ceilings which will permit the recovery of full current costs plus a reasonable profit. Only on this basis can full and balanced production be realized and only by such production can inflation be checked. When this full production is reached, price controls should be removed.

W. H. HENRY, *Chairman,
OPA Integral Horsepower Motors and Generators Advisory Committee.*

CLEVELAND, OHIO, May 9, 1946.

Senator ROBERT F. WAGNER,

*Chairman, Senate Banking and Currency Committee,
Capitol Building, Washington, D. C.:*

Have now canvassed all members of this committee, and they unanimously support recommendations regarding price-control legislation made in my telegram May 7.

W. H. HENRY,
*Chairman, OPA Integral Horsepower Motors and Generators Advisory
Committee.*

ELGIN, ILL., May 6, 1946.

HON. ROBERT F. WAGNER,

*Chairman, Senate Banking and Currency Committee,
United States Senate, Washington, D. C.:*

Responding to your telegram May 3 regarding OPA, believe production today most important single factor in controlling prices. American-made jeweled watches recently suspended from price control long after market flooded with foreign makes. Favor similar action on all manufactured goods. Definite standards for decontrol of items then remaining under control should be written into law and OPA required to discontinue controlling profits under guise of price control. Not possible to hold meeting of advisory committee, so am expressing individual views as chairman, American Manufacturing Jeweled Watches.

T. ALBERT POTTER,
Jeweled Watch Manufacturers Industry Advisory Committee.

KANSAS CITY, MO., May 6, 1946.

HON. ROBERT F. WAGNER,

*Chairman, Senate Banking and Currency Committee,
Senate Building, Washington, D. C.:*

Replying to your telegram of May 3 and for your committee's transcript concerning pending legislation to extend price control. Personally I feel that OPA regulations on price control have failed so completely that all legitimate trade is practically by-passed by business on grains and feed ingredients going into devious black-market and unethical channels, resulting in rank discrimination and unethical and almost corrupt distribution, while legitimate operators obeying regulations are completely bypassed. I would earnestly urge complete abolishment of all OPA regulations at the earliest possible moment. As chairman of the OPA industry advisory committee on millfeeds and feed ingredients and speaking for the feed distributors of the United States, I repeat we urge an early and immediate termination of all OPA price controls for the good of all legitimate business

and for the country as well. It is a sad state of affairs when young men, returning veterans and others, are able to earn more money than they have ever earned in their lives performing menial tasks for unethical businessmen engaged in black-market activities on grain, grain products, and feed ingredients; and if this activity continues to develop, we might as well do away entirely with all organizations trying to build a high moral standard among our young people.

J. P. PARKS,
Chairman, OPA Jobbers and Wholesalers of Feed Ingredients Industry
Advisory Committee.

UTICA KNITTING CO.,
Utica, N. Y., May 6, 1946.

The SENATE BANKING AND CURRENCY COMMITTEE,
Washington, D. C.

GENTLEMEN: In response to invitation of your chairman, Senator Robert F. Wagner, please permit me to submit the following statement:

OPA in its original statement of considerations declared its intent to freeze materials, wages, and selling prices at March 1942 levels. They soon forgot about materials and wages but have held the line on selling prices.

June 30, 1944: Cotton yarn prices were increased under Bankhead amendment. Lightweight knit underwear was forced to absorb same.

July 20, 1944: Industry advisory committee protested without result the adoption of the new net worth formula as a basis to determine whether or not price adjustments were necessary.

May 11, 1945: Maximum average price plan was explained to advisory committee by Messrs. Levitties, Sells, Lieberman, and Helsing. Their purpose was to roll back prices 6 to 8 percent. Committee protested its ability to absorb any more and requested instead a 15-percent increase in ceiling. This was refused.

August 14, 1945: Military services canceled profitable contracts.

August 31, 1945: Second Bankhead increase in carded yarns not compensated in underwear ceilings.

October 17, 1945: SO 137 permitted underwear manufacturer to apply for new ceilings of current costs plus 4 percent on a selected list of heavyweight underwear. This was the best thing OPA ever did for our industry, though it left lightweights and some heavyweights in a loss position. SO 137 was terminated April 1, 1946, leaving the Utica Knitting Co., in an over-all loss position.

December 11, 1945: Mr. Lieberman proposed a new over-all order similar to 572. At this request I appointed an industry technical committee. This committee first met with OPA on December 18, 1945. After more than 4½ months, no order has resulted.

March 14, 1946: In keeping with President Truman's suggestion, our company negotiated a contract with CIO union to prevent a strike. This cost us 17 percent increase in wages. In addition OPA has granted yarn increases of 4½ cents per pound plus 5 percent incentive (a total of about 7 cents per pound increase). We have asked OPA for increased ceilings to cover these cost advances without result.

April 3, 1946: OPA issued SO 154. This applied partial relief to a selected list of lightweight underwear, but not enough. OPA now plans to broaden the items covered by SO 154 as temporary relief. I do not know what the amendment may provide, but doubt its adequacy.

To sum up: The cost increases we are compelled to absorb amount to more than the profit margin we allowed ourselves during the base period.

1. Since the establishment of the little steel formula our wages have gone up 70 percent.

2. Our cotton yarns have increased over 50 percent.

3. Maximum average price made us eliminate desirable items of our product to an embarrassing degree. We find ourselves in an over-all loss position. It seems obvious OPA plans to do nothing for us. So we have stopped shipping our product.

It is my considered judgment that an average increase of 16 percent is required to bring our garment ceilings up to cost. This will vary on different items from 35 percent on heavyweight southern rib suits, to 5 percent on a combed athletic shirt. To this should be added the 4 percent profit margin provided under SO-137 (a total of 20 percent). This is less than we ought to earn but would prove a satisfactory rate during reconversion.

I appeal to you to—

1. Eliminate maximum average price.

2. Direct OPA to permit manufacturers current cost plus historic mark-up.

Consumer demand for knit underwear is very great. We desire to serve to the limit of our ability. Two thousand and five hundred jobs are at stake. Our plea is not exorbitant. Please remove the blocks which deny us opportunity to produce at a profit.

Yours very truly,

UTICA KNITTING CO.,
RALPH M. JONES, *President*,
Knitted Goods Industry Advisory Committee.

NEW YORK, N. Y., *May 8, 1946.*

HON. ROBERT F. WAGNER,
Chairman, Banking and Currency Committee,
The United States Senate, Washington, D. C.:

In reply to your telegram of May 3, the OPA Advisory Committee for the Kraft Paper Manufacturing Industry recommends that should Congress decide that price control should be continued, the statute be amended to provide (a) A formula providing for mandatory decontrol when production shall reach a specified rate; (b) that OPA's responsibility to permit such prices as will allow maximum production be made explicit; (c) definite criteria under which industry shall be entitled to relief; (d) that OPA regulations interpreting right to relief be publicly promulgated; (e) that OPA be required to act on applications for relief within a limited time; and (f) that OPA be required to state its reasons when refusing relief. However, it is our considered opinion that it will be to the best interest of the national economy to permit the Price Control Act to expire on June 30 in order to allow industry to achieve maximum production and a return to competitive economy by the earliest possible date.

OPA ADVISORY COMMITTEE FOR THE KRAFT
PAPER MANUFACTURING INDUSTRY.

MEMPHIS, TENN., *May 8, 1946.*

HON. ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Washington, D. C.:

It would be a great catastrophe to our industry to remove OPA controls at this time. Having gone through the period 1918-19 when price controls were lifted prices skyrocketed and within a few months prices dropped so fast as to leave our entire industry in a chaotic condition beyond all description. Price controls should be maintained for at least another year and only those items that are plentiful be removed from time to time.

IRA J. LICHTERMAN,
Chairman (Leather Finders and Jobbers) Industry Advisory Committee, OPA.

NEW YORK, N. Y., *May 8, 1946.*

Senator ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Washington, D. C.:

Re tel 3d: Consensus of opinion of our trade is unquestionably in favor of extending price control but there must be a proviso for immediate relief for tanners so they can operate on a profitable basis. Right now we jobbers have been drastically reduced in our supplies from the tanners and the only way we can get any stock is if they get relief.

J. L. SPIEGEL,
Chairman, Leather Dealers and Jobbers Advisory Committee.

WASHINGTON, D. C., *May 10, 1946.*

HON. ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Washington, D. C.:

In response to your wire invitation, I submit the following comments concerning the pending legislation to extend price control:

Price control was possible and worked fairly satisfactorily when both wages and prices were under control. When wage controls were virtually eliminated, the very foundation of effective price control vanished.

The Administration's theory that increases in wage rates need not be followed by increases in prices has been found impractical by the administration itself, in allowing the steel industry to advance prices before wage increases were agreed to. Now all other industries are asked to make wage increases and then take their chance on receiving compensating price increases at some indefinite future date.

Speaking from experience as chairman of the OPA Lime Industry Advisory Committee and being fairly familiar with OPA routine, I know that it is impossible for OPA under their present procedure to afford prompt relief to industries faced with immediate wage increases.

I respectfully suggest the following:

1. That OPA be extended to control prices only on those commodities for which demand has been and is substantially in excess of supply, and that prices be set on a basis that will get actual production on the lower and medium priced commodities which now are being made in limited volume or not being made at all.

Write the new regulations so clearly that it will not be necessary for each small branch of OPA to employ a multitude of economists and lawyers who merely serve to clutter up the works and cause needless delays in processing requests for equitable prices. The acute shortage of accountants, clerks, and stenographers in OPA must be remedied if the efficiency of the staff is to be improved to the point where prompt decisions can be had.

2. Remove price controls on all raw materials and manufactured articles as soon as the supply exceeds the demand and that the recommendations of the industry advisory committees of both suppliers and users shall be accepted when they agree that supply is in excess of demand. Certain products made by our industry can be decontrolled immediately, while others should remain under control until supply exceeds demand.

In conclusion, I present a factual case to demonstrate the need of the above changes:

On March 20, our committee met with OPA and made a written request for an industry adjustment. Delays caused by the illness of an accountant, lack of a stenographer, and ordinary procrastination were responsible for delaying the approval of the questionnaire until April 29. In order to save time this questionnaire was printed at industry expense and returned to OPA for mailing. In the meantime, wage demands retroactive to April or earlier have been or are in process of being granted.

OPA is entitled to support for its accomplishments during the period when prices and wages were under strict control. The public at large is not aware of the vital change which occurred in the relaxation of wage controls and its effect on industry.

I feel that the new wage and price formula was such a departure from sound business practices that I do not believe that OPA, operating under their old methods, can cope with the new set of conditions. Accordingly, a new streamlined procedure must be adopted in order to secure prompt action.

H. D. BRIGSTOCKE,
Chairman, OPA Lime Advisory Committee.

SPENCER KELLOGG & SONS, INC.,
Buffalo, N. Y., May 6, 1946.

HON. ROBERT F. WAGNER,
Senate Office Building, Washington, D. C.

DEAR MR. WAGNER: Thank you for your telegram of the 3d offering opportunity to make a brief statement concerning pending legislation to extend price control.

It is difficult for the layman to understand this question in its entirety. I believe some features of OPA such as ceilings on rents and ceilings on those actual necessities of life which are in small supply in relation to demand should continue to have price ceilings for an indeterminate time ahead. It is hard to see how you Senators or the Congressmen can fairly determine a proper expiration date for the continued control of such things.

I think definitely that more and more controls should be eliminated, as many of them have been in recent weeks, as I am convinced that our economy will continue badly upset until there can be some functioning of the law of supply and demand.

I feel that the present situation is bad wherein we see black marketeers alined with a hysterical few who have been influenced by OPA propoganda, and these

groups lined up against the other extremists who are for kicking out of price controls and letting the devil take the hindmost. It reminds me of the last few years of prohibition when bootleggers were allied with church people and the Anti-Saloon League in insisting on the retention of the prohibition amendment.

Yours very truly,

V. A. ACER,
Vice President, Linseed Meal Industry Advisory Committee.

WASHINGTON, D. C., May 10, 1946.

HON. ROBERT F. WAGNER,
*Chairman, Banking and Currency Committee,
Senate Office Building, Washington, D. C.*

DEAR SENATOR WAGNER: Replying to your telegram of May 3, requesting statement concerning pending legislation to extend price control, on the assumption that price control will be extended amendments to the act should provide among others the following changes in policy and procedure:

(1) The 1936-39 base period is discriminatory against the builders hardware industry. I recommend the selection of any consecutive 3- or 4-year period selected by the industry advisory committee as representative between 1921 and 1941, since construction moves in 20-year cycles.

(2) Speeding and simplifying procedures for industry relief. Present procedures take many months, in some instances months after the amount of increase is agreed upon. Executives in OPA with negotiating responsibility in the hands or executing only; will speed and greatly simplify handling of price actions. The act should require promulgation of price adjustments within 30 days after complete figures are submitted by the industry.

(3) Increases in all factors of cost, including increases in cost of administration and selling now omitted, should be given full consideration. Certain overhead costs which industry did not have in 1941, such as welfare, insurance, pensions, vacations, medical, are here to stay and any realistic approach to price adjustment must take them into account.

(4) Price controls should automatically be dropped when production is demonstrated to have reached 1940 levels, or sooner if agreed between industry committee and OPA. There has been no opportunity to discuss this matter with other advisory committee members. The above recommendations represent my personal opinion.

JOHN J. MEYER,
*Chairman, OPA Industry Advisory Committee,
for Locks and Lock Sets, Fitchburg, Mass.*

MELLEN, WIS., May 10, 1945.

Senator ROBERT F. WAGNER,
*Chairman, United States Senate Banking and Currency Committee,
Washington, D. C.:*

Re telegram, March 4, obsolete pricing methods used by OPA biggest single factor in retarding production. However, we believe that intelligence is necessary until industry gets into production. Suggest that OPA set prices on recommendation of industry advisory committees, who understand production, at the same time realize that their life depends on continued buying by their customer. This method would produce goods at the lowest prices consistent with production. Any method adopted must be flexible enough for immediate price relief to compensate approved wage increases or an immediate cut to stimulate sales action on this matter should have your immediate attention.

E. C. POUNDSTONE,
Chairman of Log Advisory Committee, Lake States.

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 2085

LONGWOOD PLANTATION,
BATON ROUGE, LA., May 8, 1946.

Senator ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Washington, D. C.

DEAR SENATOR WAGNER: I have today wired you the following night letter in response to your request of May 4 for a statement from our Louisiana cane sirup and molasses industry advisory committee:

"This committee favors extension of the Price Control Act. Also favors reenactment of wage controls where price controls exist. Ceiling prices should be rapidly adjusted by revised methods wherever necessary so as to stimulate and encourage production. The present methods of adjusting ceiling prices are so lengthy and burdensome that thousands of producers discontinue production rather than go through the present necessary procedure, thereby creating scarcities. Controls should be removed from all but basic commodities and essential items at the earliest possible time.

LOUISIANA CANE SIRUP AND MOLASSES
INDUSTRY ADVISORY COMMITTEE,
S. J. GIANELLONI, Jr., *Chairman.*"

This committee is composed of 12 members, 4 of whom are engaged in the exclusive production of cane sirup, and 8 of whom are engaged primarily in the production of sugar. I personally am engaged in the production of cane sirup only.

It is very significant that these 8 individuals above, who are primarily in the production of sugar (as molasses is a byproduct of sugar, which interest they represent on this committee), should sponsor the continuance of OPA, because they, as well as their industry which they represent, have suffered severe losses in 29 mills out of the 60 mills operating in this industry in the State of Louisiana in the year 1945. I am certain that they did not fare any better in the 1946 season.

If there is any group that has had a real and genuine grievance against OPA, and other governmental agencies which have kept the price of sugar down, it is this group. There is hardly a member of this committee, or an individual, or group of individuals, engaged in the production of sugar in Louisiana, whose factory does not have over a quarter of a million to two million dollars so invested. These members engaged in the production of sugar, as well as the industry, have lost millions by what could be termed inequitable price control. Incidentally, these mills which are represented by the eight members process the cane from 10,721 farms who cultivate 265,000 acres, and who probably employ, self-employ, and support, approximately 250,000 people, directly and indirectly. It is not healthy, nor does it promote good will or production, when processors of the farm products are placed in an unstable and unsound financial operating condition.

I am so moved by the genuine sincerity for the good of the country evinced by these members who represent this industry, that I cannot resist explaining these facts to you, because frankly, they are supporting OPA at a personal loss of many millions of dollars, if OPA policies toward them are continued, not in unfair or unjust profits, but in fair and just profits which they are entitled to receive by fair and equitable prices for their principal product, sugar.

I certainly feel that the price of sugar should receive the thorough investigation of OPA, and be raised to a point that will provide a fair and equitable profit for them, as well as encourage continued production, rather than its decrease by the closing down, dismantling, and removal of mills from the State, as is taking place at the moment. There are two fairly large mills now being dismantled and sold, to be erected in Mexico.

I am mailing copies of this letter to the names listed below, because of the unprecedented action taken by this group. Their action reflects nothing but the highest type of citizenship and patriotism for the general welfare of this country, and it is certainly a pity that we do not have a greater number of them.

Yours very truly,

S. J. GIANELLONI, Jr.,
(Louisiana Cane Sirup and Molasses Industry Advisory Committee.)

CC: Mr. Chester Bowles, Washington, D. C.; Mr. W. J. Dedicott, Head, Sugar Section, OPA, Washington, D. C.; Senator John H. Overton, Washington, D. C.; Senator Allen J. Ellender, Washington, D. C.; Marcel Voorhees, manager, American Sugar Cane League, New Orleans; Harry D. Wilson, commissioner of agriculture, Baton Rouge, La.

MEDFORD, OREG., May 8, 1946.

Senator ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Washington, D. C.:

Entire lumber industry in extremely chaotic condition; this includes mills, wholesalers, retailers, and all other distributors. Entire condition responsibility of OPA due to constantly changing price controls, unrealistic approach to lumber-pricing problems, extreme delays in action, and complete lack of realization of lumber-industry problems. Industry now in such condition that in opinion of writer only solution complete elimination OPA and return to normal manufacturing and distributing methods.

H. G. DOWSON,
Member, Lumber Industry Advisory Committee to OPA Lumber Regulation
RMPR 26.

SAVANNAH, GA., May 7, 1946.

ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
United States Senate, Washington, D. C.:

In reply to your telegram if the continuance of price control is necessary the law should be modified somewhat along the line of the changes incorporated in the House bill so that the administration of price control can be rationalized. The public press indicates Senate action revising that part of the House bill requiring OPA to establish ceiling committings development of reasonable profits. If this element revised we strongly urge as representing an extremely critical manufacturing problem the requiring of OPA staffs to treat cost realistically which has not been done. OPA should then be required to regard and permit all current cost of established nature eliminating only clearly defined bulge or temporary cost and whenever such eliminations are made OPA should be required in ever case to promptly publish before such elimination full details and reasons for such eliminations. This requirement should also specifically prohibit forecasting improved productivity per worker currently indulged in by OPA because it is more reasonable established that productivity will only increase substantially when supply of workers about equal number of jobs.

R. R. FAUNTLEROY,
Chairman, Malleable Iron Industry Advisory Committee, OPA.

S. NATHAN & Co., Inc.,
New York 20, N. Y., May 9, 1946.

Mr. ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
United States Senate Building, Washington, D. C.

HONORABLE SIR: Concerning pending legislation to extend price control, I believe that price control has served a useful purpose, but I do think that efforts to control or regulate the laws of supply and demand are rather difficult to enforce, to say the least, and that the OPA's strenuous effort is to be commended on the job it has done in the past under difficult circumstances.

We are all aware of the many evils in connection with any attempts to influence economic laws. I believe the prohibition amendment was a similar experiment. I do think, however, that it would be a psychological mistake if we were at this time to repudiate the entire OPA by refusing to extend some price-control law. For example, as far as housing is concerned, I think the OPA has been quite successful, and I think this is one of the things that should definitely be extended. I do think, however, that in other fields of endeavor limited controls can be beneficially enforced, provided they are administered with sound judgment.

Summarizing, I believe that the price law should be continued, and I do believe that there should not be too many legislative strings attached to it to hamper efficient administration of the law.

Yours very truly,

LEOPOLD NATHAN,
President, S. Nathan & Co., Inc., and Chairman (Manufacturers and Importers of Semiprecious, Synthetic, and Imitation Stones for Jewelry),
Industry Advisory Committee, OPA.

AMERICAN MAPLE PRODUCTS CORP.,
Newport, Vt., May 8, 1946.

Senator ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
United States Senate, Washington, D. C.

DEAR SENATOR WAGNER: This letter is in reply to your telegram of May 4, re pending legislation to extend price control.

It is my opinion that price control should not be extended beyond 6 or 9 months at the utmost. Legislation should compel the Office of Price Administration to permit all manufacturers and producers to make a legitimate profit on all their goods.

The greatest antagonism has been created by the Office of Price Administration by their continued neglect to answer inquiries sent by mail or by wire. A manufacturer or producer may ask repeatedly for a decision on a matter of price, but months will elapse before any reply is received.

All legislation should have as its objective this main thing—maximum production.

In the maple-products business, the whole matter of marketing has become chaotic under price control. Two successive undernormal crops has made all maple very scarce. Under price control a complete abandonment of grading programs, destruction of established business of legitimate dealers, extensive black-market operations, are some of the results of the policy pursued by OPA. Since thousands of maple-producing farms are scattered over 10 of the States, with every producer a potential marketer, it has been proved that it is quite beyond the power of OPA to control the black market.

Yours very truly,

FRANK L. JENNE,
Chairman, Maple Products Industry Advisory Committee.

AKRON, OHIO, May 9, 1946.

ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Senate Office Building, Washington, D. C.:

The majority opinion of the Mechanical Rubber Goods Advisory Committee is that price control be continued until such time as a representative industry committee and OPA agree that supply of goods was about equivalent to public demand or requirements, at which time the items should be decontrolled. In no event, should the proposed legislation be extended for more than 1 year. In the meantime while Mechanical Rubber Goods continue under control we would like to see OPA working under a law that requires them to take a realistic attitude toward giving of a substantial part of cost increases arising from higher rates paid labor, higher cost material, reflecting order industries increase labor cost, etc.

E. F. TOMLINSON,
Chairman, (Mechanical Rubber Goods Industry Advisory Committee),
B. D. GOODRICH Co.

MEN'S NECKWEAR MANUFACTURERS INSTITUTE OF AMERICA, INC.,
New York 17, N. Y., May 7, 1946.

HON. ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee, Washington, D. C.

HONORABLE SIR: Answering your telegram of May 3 suggesting a statement on behalf of the men's neckwear industry advisory committee I am enclosing herewith copy of telegram which was sent to your committee by the Men's Neckwear Manufacturers Institute of America, Inc. I would like to add my own experience as chairman of the industry advisory committee.

I feel that the administration of OPA has failed to consult with our committee sufficiently and has apparently disregarded whatever suggestions or advice we gave to them. Further the OPA officials have for some reason unknown to our committee never been prompt with their action. The industry therefore operates for 3 to 6 months under an impossible rule and at the end of that period sometimes finds the rule amended retroactively and at other times finds itself in a serious situation. While we recognize the difficulties of administration unless the industry

advisory committees have a feeling that they are of some importance and are being given consideration they should be discontinued.

Our committee is a very representative one, covering all sections and types of manufacturers and I am sure it holds the respect of all of our industry.

It is my opinion that OPA should be extended with the elimination of MAP and that there should be a very active participation of the industry advisory committee in the program of OPA.

Very truly yours,
SEYMOUR KRAMER,

Chairman, Men's and Boys' Neckwear and Muffler Industry Advisory Committee.

MAY 3, 1946.

TELEGRAM TO HOUSE FINANCE AND BANKING COMMITTEE AND SENATE FINANCE AND BANKING COMMITTEE

Heretofore the House of Representatives at the United States Congress passed a bill extending the OPA until March 31, 1947, but in so doing, included many amendments, which, in the opinion of the members of the Men's Neckwear Manufacturers Institute of America, Inc., would be equivalent to a complete emasculation of the purposes and effect of price control. The Men's Neckwear Manufacturers Institute of America, Inc., representing the large majority of manufacturers of men's neckwear in the United States, has given serious consideration to the importance and need of adequate and effective price control. It is of the opinion that all Government regulations with regard to price control should be lifted and removed as rapidly as possible. However, the members of this institute are firmly convinced that the elimination of OPA control, at this time, would be prejudicial to the best interests of the citizens of this country, permitting an inflationary spiral and a subsequent disastrous collapse. Accordingly, the members of the Men's Neckwear Manufacturers Institute of America, Inc., at a meeting held on May 2, 1946, unanimously resolved that it was their opinion that the Emergency Price Control Act be extended for 1 year from June 30, 1946, that those amendments passed by the House of Representatives which would tend to eliminate the effectiveness of OPA control be defeated, but that a practical and workable bill be passed. This bill, in essence, should provide for an OPA which could effectively carry out the general purposes of price control, but contain provisions which are realistic, and enforceable, so that the standard of administration of the agency can be maintained at a high level, insuring fair-price control in fact as well as in name. Unworkable and ineffectual regulations should be dropped. Specifically the MAP (SO 108) which, after a fair trial, has failed in its purpose of channeling merchandise into the lower-price field and has actually become a serious impediment in the production and sale of all types of apparel should be repealed.

In conclusion, the members were of the opinion that OPA itself, under the act, as amended, should and could work more closely with business advisory committees in order to plan and effectively carry out its work, in timely fashion.

MEN'S NECKWEAR MANUFACTURERS
INSTITUTE OF AMERICA, INC.,
By LESTER RABBINO, *Secretary.*

NEW YORK, N. Y., May 10, 1946.

Senator ROBERT F. WAGNER,
Chairman of the Senate Banking and Currency Committee,
Washington, D. C.:

Permit me to thank you most cordially for your telegram of May 3 in which you invited me to make a statement concerning the pending OPA bill.

The philosophy of price control in a period of scarcity, is entirely consistent with the philosophy of free enterprise and the competitive system, both of which have made this country great and have given its citizens the highest standard of living. Therefore, I am 100 percent for price control as long as the period of scarcity continues.

However, in the administration of OPA two very grave errors have been committed. These are:

1. The adoption of the maximum average price program, and
2. The administration of the principle of cost absorption.

With respect to maximum average price, I respectfully direct your attention to the statement I made as chairman of the national men's and boy's wear council at the OPA advisory committee of the shirt, shorts, and pajama industry held in Washington, May 14, 1945. A copy of which is forwarded to you by special delivery air mail.

I might add that at this meeting the advisory committee by resolution unanimously rejected the maximum average price program. The map program has proved to be as unworkable, and as great a hindrance to production as our committee predicted at the meeting of May 14, 1945.

With respect to the administration of the cost absorption principle, OPA's policy has been to increase the ceiling prices of the raw materials and to force the absorption of these increases, as well as labor increases, by the producer of the finished products. The result is a reduction in mark-ups and a squeeze which must adversely affect production. Unless American industry is permitted to earn a fair profit, it will not have the necessary funds to pay its labor and the taxes which defray the cost of operating our Government.

SYLVAN GEISMAR,
*Chairman, Men's and Boys' Shirts, Shorts, and Pajamas Industry Advisory
Committee, OPA.*

B. KUPPENHEIMER & Co., Inc.,
Chicago 7, May 6, 1946.

SENATOR ROBERT F. WAGNER,
*Chairman, Senate Banking and Currency Committee,
Washington, D. C.*

DEAR SENATOR: Replying to your telegram of May 4, that the Senate Banking and Currency Committee will be pleased to include in its transcript any brief statement I may desire to submit concerning the pending legislation to extend price control, I am replying as follows:

The demands of the armed forces for uniforms throughout the war period curtailed the production of civilian clothing and created a shortage of more than 15,000,000 suits—considerably more than half a year's production. This situation called for unlimited production of clothing at full capacity, not only of the finished article but of the essential materials, both woolen and cotton fabrics.

Production was either curtailed or shifted to other lines on account of the determination of OPA to enforce the absorption of the considerable wage increase without allowing for adequate relief in selling prices. The provisions of 607, the recent regulation of OPA in the clothing industry, have relieved this situation partially, but the present ceilings both on clothing, cotton goods, trimmings and linings are inadequate and still curtail the production of these products; in fact it is practically impossible to secure cotton goods, trimmings and linings, important component parts, at the present time.

The main obstacle to production, however, is the enforcement by OPA of the Maximum Average Price Regulation which holds the average price of clothing to the average price of the base period 1943, notwithstanding the very considerable increase in labor and material costs as well as overhead: In fact it disregards the increase which OPA granted under regulation 607, and although this conflict in the regulations is apparent to all, OPA has granted no relief except to permit manufacturers to continue shipments during the month of May, which will result in accumulation of surcharges and make it impossible to continue deliveries after May 31.

There can be no question that the Maximum Average Price Regulation should be eliminated at once to stimulate production and to prevent the present scarcity. The men's clothing industry during the years from 1942 to 1946 demonstrated that prices could be maintained.

If increases had not been granted to labor in the clothing, woolen, and cotton textile industries, manufacturers could have maintained their prices for the industry was producing at capacity without restrictions of any kind. The CPA program which channels about 60 percent of all woolen and worsted fabrics for the program of producing low-priced clothing, renders it impossible for the manufacturers of other than low-priced clothing to secure a sufficient quantity of the fabrics necessary for the maintenance of the prices in the base period.

2090 EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942

Price control should be so modified as to permit capacity production and in this way restore competitive conditions, for the clothing industry over a long period of time has shown how competition can hold down prices.

Your favorable consideration of the subject will be greatly appreciated.

Yours very truly,

BERTRAM J. CAHN,
Chairman, Advisory Committee, OPA,
(Men and Boys Tailored Clothing Manufacturers).

HIGH POINT, N. C., May 7, 1946.

Senator ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Washington, D. C.:

Retel at present am not authorized to make statement for OPA Industry Advisory Committee concerning pending legislation to extend price control. As an individual I support contents of communication addressed to you April 10 by Earl Constantine, president of National Association of Hosiery Manufacturers.

MELROSE HOSIERY MILLS, INC.,
W. E. MITCHELL,
Men's Hosiery Industry Advisory Committee.

ROANOKE PUBLIC WAREHOUSE,
Roanoke 5, Va., May 7, 1946.

Senator ROBERT F. WAGNER,
Chairman, Banking and Currency Committee,
United States Senate, Washington, D. C.

DEAR SENATOR WAGNER: I have your wire of May 3, addressed to me as chairman of the OPA Advisory Committee for Merchandise Warehousing.

While the opportunity to submit a statement for inclusion in the transcript of the hearing on pending OPA legislation is greatly appreciated, there is no statement which we desire to make at this time.

Sincerely yours,

CLEM D. JOHNSTON,
Chairman, OPA Industry Advisory Committee for Merchandise Warehousing.

ADVISORY COMMITTEE OF THE
OFFICE OF PRICE ADMINISTRATION,
Denver 4, Colo., May 7, 1946.

Mr. ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Capitol Building, Washington, D. C.

DEAR SIR: This advisory committee represents distribution of merchant pipe by approximately 3,600 plumbing, heating, and mill distribution wholesale houses, and is one phase of their operations.

Under the present small home building program, these jobbers currently play a very important part. However, we wish to point out that ours is a matter of distribution; while the shortage of pipe, as exists today, is a matter of production.

We are not qualified to state whether the office of Price Administration restrictions on cost of producing pipe is a deterring factor in getting increased production.

This committee has had very fine cooperation with the Office of Price Administration officials and has no complaints concerning their price policy so far as distribution of pipe through jobbers is concerned.

Very truly yours,

JOSEPH I. GRIMES,
Chairman, Merchant Pipe Warehouses and Jobbers,
Industry Advisory Committee.

ART METAL CONSTRUCTION Co.,
Jamestown, N. Y., May 6, 1946.

HON. ROBERT F. WAGNER,
*Chairman, Senate Banking and Currency Committee,
 Washington, D. C.*

DEAR MR. WAGNER: In reply to your wire I am covering my remarks in 11 points why our industry should not be under the control of the OPA.

1. Our products do not have any direct affect upon the individual cost of living and should therefore be taken out from price control.

2. All of our products are sold to commercial concerns such as insurance, banks, and manufacturing companies and other commercial concerns (none are sold for home consumption) and are not charged into direct expenses but are a capital expenditure. The cost is depreciated over a long period of years.

3. As before the war, much of our product is purchased to replace old equipment which has become obsolete or worn out through long usage. New developments and improvements in metal office furniture products result in increased business efficiency and reduction in our users' operating costs. Therefore the purchase of such new equipment, even at a slightly increased price, is more than reflected in the savings in the users' operations and is a reduction in their cost of doing business.

4. So long as these products are under price control production of complete lines, new developments and improvements cannot be made.

5. Because of long experience and competition, economy and efficiency in manufacturing processes in our principal products which are files and desks have been made and are already reflected in reduced costs and sales prices and there is no possibility of improving methods nor reducing costs on similar products in the immediate future.

6. There may be some kinds of business whose profits are sufficient to follow OPA price policies and still make a fair profit but that is not the fact with our industry.

7. Removal of metal office furniture products from price control will permit continued improvement in office operations, through research and educational effort.

8. The industry is highly competitive so that removal from price control will not result in excessive or runaway prices, which has never been the case in the past.

9. OPA refusal to allow increase in overhead costs is unsound because when labor and material increase factory overhead and administrative and selling expense increase relatively.

10. Supply and demand. There exists today constant keen competition and there is nothing like the pent-up purchasing demand for metal office furniture products as that existing in consumers' goods such as automobiles, household appliances, sporting goods, etc.

11. Production capacity and new competition are greater today in our industry than before the war.

This letter may be longer than you can use, but it covers our situation carefully, and therefore I am sending it on for whatever it is worth to your committee.

Very truly yours,

ALGOT J. E. LARSON,
*President and General Manager,
 (Metal Equipment Manufacturers Industry Advisory Committee).*

MILLER METAL PRODUCTS Co.,
Baltimore 30, Md., May 8, 1946.

Mr. ROBERT F. WAGNER,
*Chairman, Senate Banking and Currency Committee,
 Washington, D. C.*

DEAR MR. WAGNER: In answer to your telegram, I am pleased to give you a statement concerning pending legislation to extend price control.

I feel that price control should be extended until March 31, 1947, especially in view of the new wave of scarcities brought about by the coal strike.

Definite steps should be taken toward decontrol of industry when production reaches approximately normal levels. This may vary from 75 percent of 1941 production to 200 percent depending upon each industry. If these levels are too

indeterminate, a conservative point such as 150 percent of 1941 production would be acceptable if it would mean decontrol.

I feel that a more liberal policy should be applied in granting price relief. The present policy is akin to withholding all bread from a starving man while one dickers endlessly as to how much he needs to keep alive. OPA has enough statistical background (with charts) to know that when a manufacturer applies for a 20-percent increase over October 1941 prices that some major portion of this is allowable at once and the border-line adjustment can then be thoroughly checked later.

To sum it up, I am in favor of the principles of OPA or price control, but I feel strongly that its policies and application need revision.

Very truly yours,

M. M. MILLER,
(Metal Household Furniture Manufacturers, Industry Advisory Committee.)

MILLINERY STABILIZATION COMMISSION, INC.,
New York, N. Y., May 7, 1946.

Senator ROBERT F. WAGNER,
*Chairman, Banking and Currency Committee,
Senate Office Building, Washington, D. C.*

DEAR SENATOR WAGNER: After receiving your telegram of May 6, 1946, I immediately summoned all members of the advisory committee of the millinery industry who were available in this area. Eleven out of fourteen members were present. The meeting was held on May 7, at which all questions concerning extension of price control were thoroughly discussed.

The general opinion of the committee, which also reflects my own, is that the extension of price control is necessary at the present time to avoid the catastrophe which would result to the American economy from inflation.

I, and the other members of the committee, all feel that production is the greatest preventive of inflation, and feel that as supply and production reaches demand in each industry, that industry should be released from price control.

I, and the other members of the committee, have felt from the outset that MAP was fundamentally unsound and could not succeed. In meetings with the Office of Price Administration, we prophesied that it could not succeed. Experience has proven that we were correct. Just as an example of its general unsoundness, we cite the present condition by which various types of low-priced millinery are unavailable to the American public because of its operation. The same thing and the same results are true in practically every industry which is subject to MAP.

It is my opinion, and the opinion of the members of the committee who met with me, that price control should be extended as outlined above, but that an amendment should be placed in the act specifically eliminating MAP.

Yours very truly,

WALTER K. MARKS,
Chairman, Millinery Industry Advisory Committee.

ARMOR INSULATING CO.,
Atlanta, May 8, 1946.

HON. ROBERT F. WAGNER,
*Chairman, Senate Banking and Currency Committee,
Washington, D. C.*

DEAR SIR: Our committee appreciates the honor which you have bestowed upon us in permitting a statement on pending price control legislation. Time does not permit a meeting of our advisory committee but I have taken a poll of the membership. Because of the emergency which the President has declared on account of the coal strike, and in order to minimize your committee's work, we have concluded that you would prefer to have our statement by mail.

I am directed to report to you that our advisory committee believes OPA did a splendid job during the war years. We are of the opinion that the break-down in price control since the end of the war has been due to OPA's failure to realistically handle reconversion.

It is suggested by our advisory committee that price controls be continued but, with the understanding that these things will be done:

1. Just as soon as production of any commodity is such that equals demand, all price restrictions should be immediately removed from that commodity.

2. On commodities which are not a vital part of the cost of living, all price controls should be forthwith eliminated.

3. Instead of controlling all prices, the Senate should specify a limited list of scarce items where control is necessary until supply catches up with demand.

4. Any extension to OPA should stipulate that such extension is temporary.

5. A formula of fair pricing should be established as a guide to all sellers of scarce commodities.

6. The purpose of price control is not to fix prices, but rather to protect the public against unfair prices. Prices must, therefore, be sufficient to encourage production without Government subsidy.

In our specific industry, our advisory committee made certain recommendations to OPA on February 23, 1944. A copy is attached. The very things that our committee anticipated would occur, have occurred. We reiterate that RMPR 251 should be revoked because it is unfair, impractical, unworkable, and unnecessary as a vital item in the cost of living.

Yours very truly,

T. T. TUCKER,
Mineral Wool Industry Advisory Committee.

Meetings of Office of Price Administration with the Mineral Wool Advisory Committee were held on the 22d day of February 1944, 10:45 a. m. to 5 p. m.; 23d day of February 1944, 10:10 a. m. to 1:10 p. m., in rooms 2139 and 5139, respectively, Federal Office Building No. 1, Washington, D. C.

All of those present acknowledged due call and notice of the meeting. Those present were—

Government representatives: Mr. H. T. Booth, OPA, chairman; Mr. Hugh H. Clines, WPB; Mr. Carvl E. Cohen, OPA; Mr. Edward F. Durcan, OPA; Mr. Benjamin Fridson, OPA; Mr. John D. Gaffey, OPA; Mr. Sterling R. March, OPA; Mr. K. Mathiasen, OPA; Mr. H. A. Olin, OPA.

Industry representatives: Mr. Jules W. Baer, Mr. H. E. Bowman, Mr. H. J. Burt, Mr. T. C. Carter, Mr. C. Thomas DuFief, Mr. G. T. Macklin, Mr. G. J. Rhein, Mr. T. T. Tucker, Mr. Fred C. Weinert.

Minutes of the last meeting were read and approved with minor corrections.

Mr. Mathiasen explained that the proposed regulation had been submitted to us in tentative draft form. He cautioned the meeting that the proceedings of the meeting were confidential. He explained that it was not a matter of endeavoring to hide anything which was being done but rather to avoid controversial discussion something obviously not yet ready for deliberation by the entire industry.

Next, the revised proposed regulation was taken up point by point and discussed at length. In this discussion many new thoughts were brought out and compromise agreements were suggested.

In the morning of the 23d, the committee submitted these recommendations:

The Mineral Wool Installation Advisory Committee has made further careful study of the proposed price regulation affecting that industry. Your committee respectfully submits the following opinions and recommendations with regard to the regulation, in addition to the recommendations submitted by the committee dated January 6, 1944.

Our opinions and recommendations are based on the premise that an effective price regulation should seek to accomplish the following objectives:

1. Protect the buyer against excessive profits by the seller.
2. Protect the buyer against depreciated quality in return for an equivalent dollar.
3. Permit the seller to make a fair margin of profit and thus insure the proper development of the industry.
4. Provide a practical basis for enforcement which will be equally fair and equitable to buyer and seller.

We have carefully appraised the proposed regulation as an instrument in accomplishing these objectives and have reached the following conclusions:

In effect, the regulation proposes to establish for each classified area in a building structure one specific price per square foot for any kind of insulation 4 inches thick without regard to widely varying costs of material, labor, sales commissions, and items of overhead expense.

Under these circumstances any price adopted will be arbitrary to the extent that it must be selected from a wide range of existing prices which reflect variations in costs and methods. Such a universal price schedule thus devised by negotiation with this committee would necessarily reflect compromise and consequently be ineffective in accomplishing the above-stated objectives for the following reasons:

1. Instead of protecting the buyer against excessive profits by the seller, we believe on the contrary, it would encourage and invite a seller whose current prices are below the established ceiling schedule to charge ceiling prices whenever he could get them. Where such a seller has the advantage of abnormally low costs, the regulation really urges him to reach for excessive profits at the expense of the buyer.

2. The objective of protecting the buyer against depreciated quality in return for an equivalent dollar is an important one which we believe has had too little consideration. You have indicated that one of the principal purposes of the regulation is to control what you have termed "fly by night" operators. We want to establish at this point the fact that this type of operator represents a small minority of the industry. On the other hand, we believe it is mutually recognized that this type of operator knows little or nothing as to what constitutes a good insulation job and is interested only in making as large a profit as possible in a business which has been tremendously expanded in the interests of fuel conservation. The real value of insulation to the buyer is in the results produced in the form of comfort and fuel saving. A job performed within the requirements of the ceiling price schedule with inferior materials and workmanship quite definitely represents depreciated quality. It is obvious to us that a price structure which contemplates no tolerance for quality would encourage this pernicious practice and consequently accelerate the number of cases where the buyer did not get what he paid for due to practices of this small minority of irresponsible operators. In our opinion, a better way than through the proposed regulation to deal with this element would be to investigate their present practices and price structure as compared with those used by the industry prior to March 1942 and to take the necessary steps to correct such violations.

3. In view of the wide range of existing prices which for the most part, must be due to variation of costs, any proposed single price schedule must, of necessity, penalize the seller whose existing prices are higher than the adopted schedule. If he has been a legitimate contractor doing business since 1941, has survived the highly competitive price market prior to the establishment of the general price regulation in March 1942 and has continued to sell at prices which were no higher than those charged in the competitive price era, he quite definitely is no profiteer. Any regulation which forces him to reduce his prices certainly will not permit him to make a fair profit and participate in the development of the industry. The proposed regulation would impose undue hardship upon operators in this position.

4. A thorough field investigation as to the practices of the industry could only lead to one sound conclusion, namely, the variables inherent in performing an insulation job are too numerous and undefinable to be subjected to the provisions for enforcement in the regulation on a basis that would be equally fair and equitable to the buyer and seller. Disputes as to the measurements and thickness of insulation in concealed and closed areas would inevitably arise and in most cases could never be accurately settled, thereby precluding a clean-cut decision. Such a situation offers a fertile field for evasion with reference to enforcement of the regulation by the so-called "fly by night" and unethical operator. Therefore, it is our considered opinion that the proposed regulation is not enforceable.

For the foregoing reasons your committee, in all sincerity and good faith, must advise you that we consider the proposed regulation inadequate and impractical. In reaching this conclusion we wish to make it quite clear that we are in favor of any practical undertaking that will prevent or retard inflation, but at the same time we feel that any effective price regulation must likewise accomplish the four objectives which we have set forth in this report.

In view of the fact that the demand for insulation on the part of the public in our opinion is past its peak, we believe that the industry is rapidly approaching the point where free price competition will again be the most effective means of preventing excessive profits because the so-called profiteering "fly by night" operator will automatically disappear from the picture under such circumstances. It is our opinion that for the most part ethical operators who have built this industry and will continue to build it are patriotically sympathetic with the objectives of OPA; and that they conscientiously comply with Price Regulation 251 despite the fact that by so doing it may pinch now and then.

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 2095

Although it is the unanimous opinion of your committee that the proposed regulation is unworkable, if it is the decision of OPA to put a new regulation into effect, the original draft of the proposed regulation should be rewritten to include the following:

1. All of the recommendations of your committee dated January 6, 1944.

2. A paragraph worded "Sellers who were established as a going business as of March 1942 shall, in lieu of any maximum prices established by this regulation, use prices and pricing methods not in excess of their own maximum prices in effect during March 1942, and shall within 30 days after the effective date of this regulation file with the nearest War Price and Rationing Board a schedule, properly certified, of their maximum prices and pricing methods in effect during March 1942".

3. It is the unanimous opinion of the committee that section 2.5 and 2.6 as rewritten in the second draft should be deleted.

There being no further business, on motion, the meeting adjourned.

Respectfully submitted,

J. W. BAER, *Secretary-Treasurer.*

Accepted:

T. T. TUCKER, *Chairman.*

PITTSBURGH, PA., May 9, 1946.

HON. ROBERT F. WAGNER,
*Chairman, Banking and Currency Committee,
United States Senate, Washington, D. C.:*

Reference your telegram May 4 present OPA controls are inapplicable to common carriage and apply only to contract carriage. Our committee regards continuance of such controls unnecessary inasmuch as substantially all current contract rates are considerably under ceilings. This situation will doubtless continue due to availability equipment in excess of demand. We express no opinion on continuance OPA for other purposes.

L. L. FRENCH,
*Chairman, Industry Advisory Committee,
Mississippi River System Water Carriers.*

NEW YORK, N. Y., May 8, 1946.

HON. ROBERT F. WAGNER,
*Chairman, Senate Banking and Currency Committee,
United States Senate, Washington, D. C.:*

In reply to your telegram May 3 addressed to me as chairman of the Motor-truck Advisory Committee, I quote resolution adopted by advisory committee at a meeting with OPA in Washington on September 14, 1945; "For the following reasons, the committee recommends that price ceilings on commercial vehicles be suspended from OPA regulations:

"(a) The number of manufacturers producing commercial vehicles is so large and their methods of production and distribution is so varied that any uniform formula of price regulation would be extremely difficult to evolve and apply fairly to all manufacturers of such vehicles.

"(b) The purchase of a motortruck or commercial vehicle is a capital investment and reaches consumer costs through depreciation charges over a long period of years as part of the cost of transportation or delivery; consequently it has little relation to increase or decrease in cost of living.

"(c) The uses of commercial vehicles fall to a great extent in transportation of materials and in many instances under interstate commerce control. Being in competition with railroads and other means of transportation, the manufacturers and users of commercial vehicles should not be discriminated against by undue burdens of price ceilings.

"(d) Under War Production Board allotments for production of commercial vehicles during 1945 and 1946, the industry has prepared itself to commercially produce trucks by November 1945 in number equivalent to or greater than 1941 rate of production; and the impact of this volume of production will in itself provide a like competition as that which existed in the motor-vehicle industry in prewar period."

A new truck regulation is expected to be issued by OPA this month and as substantiation of this resolution we understand that at time of issuance of new regulation OPA will eliminate price control on such items as transit busses, fire apparatus, trucks of 40,000 gross vehicle weight and larger, also certain types of municipal equipment such as sprinklers and flushers. This does not suspend price control on all commercial vehicles as requested by this industry committee.

A. C. FETZER,
Chairman, Motortruck Advisory Committee.

C. G. CONN, LTD.,
Elkhart, Ind., May 6, 1946.

HON. ROBERT F. WAGNER,
*Chairman, Senate Banking and Currency Committee,
United States Senate, Washington, D. C.*

DEAR SENATOR WAGNER: Replying to your telegram of May 3, addressed to me as chairman of the industry advisory committee, OPA, for the music industry, I am glad to submit the following brief statement concerning pending legislation to extend price control with the understanding that these are my personal views as the result of extensive experience with OPA, both as chairman of the advisory committee for this industry and as an applicant for price relief on products of this company. I do not speak for the committee as a whole or its members individually with whom I have had no opportunity to communicate since receiving your request for a statement.

The music industry has no direct interest in price control at the present time as such controls were lifted from musical instruments on March 6. Since that time most of the prices put into effect on musical instruments appear to have been about the same as those which had been granted by OPA to individual manufacturers prior to decontrol. In some cases, especially in the piano branch of the industry, it appears that prices of some manufacturers are actually less than approved OPA prices. Even prewar prices are still maintained by manufacturers of some products, such as accessories. Thus, the experience of this small industry would indicate that the elimination of OPA price control on the type of products represented by musical instruments would not materially promote inflation.

The experience of the music industry with OPA during the period of price control indicates that the problem involved in control of prices in even such a small industry is too complex to be administered properly by a central Government agency. The length of time necessary to obtain price consideration is always so long as to create almost insurmountable obstacles for the individual manufacturer. The various formulas used by OPA for establishing prices are not realistic especially in their failure to provide for actual increased costs. In effect they control profits, or actually regulate losses, rather than prices. Representatives of OPA are constantly finding that formulas and regulations previously established and insisted upon are not feasible, the necessary revisions run into the same difficulties, and consequently the entire administration of price relief is always in a state of flux.

The basing of prices is probably the most critical and delicate of the problem of management under the private enterprise system. Private enterprise cannot long continue successfully under any such chaotic situation as has been created by OPA.

OPA policy of basing prices of new producers on cost estimates while an established producer is limited to his prewar costs, plus arbitrarily limited increases not reflecting actual increased cost, discriminates against the established manufacturer and gives unwarrantedly high prices to many new producers. Thus, reconversion is retarded and production of established manufacturers restricted. In effect, the policy substitutes high for low-cost production and curtails output. Thus, in this respect, OPA has contributed substantially to inflation.

The situation undoubtedly requires a continuation of reasonable price control for a limited period of time. However, legislation providing for such continuance of price control should, in my opinion, conform to the following:

1. Confine price controls to important essentials in which the greatest possible supply is substantially less than the demand.
2. Provide for automatic easing and final releasing of price controls for individual products as supply reaches normal.

3. Provide that price increases must reflect all actual necessary cost increases and allow for normal profit margins.

Very truly yours,

ALFRED L. SMITH,
Executive Vice President
 (Musical Instrument Manufacturers
 Industry Advisory Committee.)

NEW YORK, N. Y., May 7, 1946.

Senator ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
 Washington, D. C.:

Replying your telegram dated May 3, assuming OPA will be continued on some basis I make the following recommendations for the consideration of your committee: (1) Recommend statutory provision which would insure prompt action by OPA on petitions of industry for relief against rising costs. (2) Also recommend statutory provision that OPA recognize as reasonable profits earned in period 1939 to 1941, inclusive, instead of 1936 to 1939, inclusive. (3) Also recommend statutory provision providing for termination of OPA by December 31, 1946, with further provision that decontrol should be put into effect when output of industry reaches volume of the period July 1, 1940, to June 30, 1941. (4) Also recommend statutory provision that rent control should continue in effect. (5) Recommend OPA be prohibited from using industry earnings standard which is profit control and not price control and law should further provide that ceiling prices cannot be set and maintained unless the price reflects cost plus reasonable profit on each item, respectfully.

SAUL F. DRIBBEN,
Chairman, OPA Napped Fabrics Advisory Committee.

WESTERN PETROLEUM REFINERS ASSOCIATION,
 Tulsa 3, Okla., May 7, 1946.

Senator ROBERT F. WAGNER,
 Senate Office Building, Washington, D. C.

DEAR SIR: We are passing on to you a joint report prepared by the National Crude Oil Industry Advisory Committee and the National Refiners' Industry Advisory Committee to the Office of Price Administration. This report was presented to Mr. J. H. Reppert, Fuel Division, Office of Price Administration, on May 4, at Chicago, Ill.

The recommendations contained in this report expresses the views of all branches of the Petroleum Industry.

This is for your information.

Yours very truly,

WESTERN PETROLEUM REFINERS ASSOCIATION,
 J. C. DAY,
Secretary, National Crude Oil Industry Advisory Committee.

JOINT REPORT OF THE NATIONAL CRUDE OIL INDUSTRY ADVISORY COMMITTEE
 AND THE NATIONAL REFINERS INDUSTRY ADVISORY COMMITTEE

The National Crude Oil Industry Advisory Committee and the National Refiners Industry Advisory Committee to the Office of Price Administration, meeting in joint session at the Stevens Hotel, Chicago, May 4, 1946, feel obligated to point out that the most urgent need of the petroleum industry is the restoration of an economy freed from the artifices of price control. It is our joint opinion that the average American consumer, the national economy, and the consideration of national defense will all be served best by the elimination of price controls on the petroleum industry. This position is predicated upon the firm knowledge of surplus capacities to produce in all phases of the industry which will lead inevitably to a restoration of keen competitive rivalry among various units of the industry. Competitive intensity over a period of years has been such that the index of petroleum prices as published by the Department of Labor show a decline of 63.5 percent of the base year, 1926, as compared with an index of 105.8 percent

in prices generally, since the same base year. Petroleum prices were carried downward by competition notwithstanding the fact that the demand increased 126 percent during the same time period.

The economic forces that have been in operation throughout the war tending to raise the cost of finding, producing, and processing crude oil are inescapable and must be faced sometime. The longer prices are kept artificially from reflecting true costs, the more difficult will be the transition when price controls are finally removed. Price controls contribute to situations of scarcity of different products, which may be used a year from now, and contribute artificial arguments for continuing controls.

Such a philosophy would involve permanent continuation of wartime controls under the guise of preventing inflation. This is not believed to represent the intent of Congress or the American people. The experience since the war demonstrates that the petroleum industry is in a position to meet demands and has attained the situation in which OPA promises to remove controls. It is our firm conviction that restoration of the benefits of a free economy can only be made available to the American public by complete decontrol. The power to bring about decontrol seems to be clearly set forth in directive No. 68, amendment No. 2, section 3, as follows:

"SEC. 3. The Price Administrator may recommend to the Economic Stabilization Director the suspension of price control with respect to any commodity or transaction, or the exemption of a commodity or transaction from price control, in any specific case, not falling within section 1 or section 2 of this directive in which in his judgment such action is not inconsistent with the purpose of the stabilization laws."

Suspension will not accomplish desired results, as the industry will not be free to make needed modifications of petroleum prices without inviting reinstatement of price control. Suspension will maintain a sword of Damocles over the industry, preventing freedom of action in the execution of long time plans for public well-being. Suspension of prices will but prolong the time period before the industry will be freed from price regulations. It will shift the onus of inadequate supplies of any given product necessary to meet any unusual demand from the judgment of OPA, to the oil industry. It will retard the introduction of economics resulting from technological or other improvements from being undertaken, as it may result in temporary profits above the mythical 1936-39 base period for evaluation.

Suspension will mean that some standard of measurement will continue to be applied to the oil industry to ascertain whether that industrial segment is violating the realm of "reasonableness" as judged by a small group of individuals, however able they may be. What are to be the standards of measurement to be applied? What is to be the basis of judgment? Our only answer thus far has been that profits must not exceed those earned during the arbitrarily selected base years 1936-39. The fairness of this base period has never been justified as representing normal earnings for the industry and the subsequent price freezing perpetuated inequalities previously existing. The policy of tying an industry back to such a falacious base period is a denial of the basic principles of the free enterprise system. This is the adoption of a regimentation economy which will retard exploration, development, and research. It retards the introduction of needed economies. It halts the growth of an industry in the American economy demanding greater and greater petroleum supplies to meet an ever expanding desire. It stops the normal or customary return on added investment necessary to serve this growing market.

It is our joint recommendation, therefore, that the Office of Price Administration, the Office of Economic Stabilization, place on the oil industry its full responsibility of meeting the requirements of the American consuming public. Give the industry the freedom to work out those problems without the shackles of governmental price control and it is our firm belief that it will find ways and means in the future, as in the past, of supplying the entire petroleum market at price levels which will continue to be lower than those reflected by the index of prices generally as published by the Department of Labor.

Having clarified our position in this respect, we hereinafter submit our best thinking concerning specific questions put to the committee by representatives of the Office of Price Administration. The answers to the following questions are believed to be equally applicable whether price control be eliminated temporarily or permanently. They are submitted as a cooperative effort on the part of the committees and represent, in the main, a reiteration of opinions previously presented to OPA.

Question 1. How does total demand, present and anticipated, compare with actual and potential crude oil production and refinery capacity?

Answer. The petroleum industry in the United States produced 4,688,000 barrels daily of crude oil in 1945. The demand for domestic crude oil according to authoritative estimates by various sources will be 4,400,000 to 4,500,000 barrels daily in 1946. The Bureau of Mines has estimated the demand for crude oil from Texas to be 2,030,000 barrels daily in May, whereas the maximum efficient rate of production for the State, determined by the Petroleum Administration for War, is 2,121,000 barrels daily. Surpluses exist in other States also. This is evidence of excess productive capacity.

The record of production in relation to estimated demand shows that there is no reason to believe the States will fix production at a level below current consumption. It must be recalled that prices for crude oil decreased as well as increased prior to the war under similar State efforts to control production so as to eliminate waste.

Statistics are shown on the following page and on the attached chart, by years since 1937, to demonstrate that production for the United States and Texas has been very close to the estimate of demand issued by the Bureau of Mines and by the Petroleum Administration during the war. To demonstrate the accuracy of State regulatory agencies, for example, in the first 4 months of 1946, Texas production of 1,994,000 barrels daily exceeded the Bureau of Mines' estimate of demand by 37,000 barrels daily. It is reasonable to expect that the industry will endeavor to meet all demands in order to satisfy its customers and that the regulatory agencies will continue, as they have for years, to fix allowables in relation to demand. The comparisons of production with the demand estimated by Government agencies is shown in thousands of barrels daily:

	United States			Texas		
	Estimated demand	Actual production	Production above estimate	Estimated demand	Actual production	Production above estimate
1937	3,344	3,505	161	1,338	1,398	60
1938	3,383	3,327	-56	1,354	1,304	-50
1939	3,463	3,466	3	1,403	1,325	-78
1940	3,583	3,697	114	1,333	1,348	15
1941	3,849	3,842	-7	1,372	1,385	13
1942	3,694	3,799	105	1,229	1,324	95
1943	4,123	4,125	2	1,598	1,628	30
1944	4,582	4,584	2	2,022	2,044	22
1945	4,771	4,688	-83	2,090	2,070	-20
1946:						
January	4,500	4,625	125	1,950	2,037	87
February	4,430	4,695	265	1,890	2,100	210
March	4,450	4,405	-45	1,910	1,800	-100
April	4,620	4,675	55	2,080	2,040	-40
Average 4 months	4,500	4,600	100	1,957	1,994	37

There is in the United States economically situated refining capacity of approximately 4,900,000 barrels daily. In relation to the expected requirements of 4,400,000 to 4,500,000 barrels daily for 1946, there is, therefore, a surplus of refinery capacity under both present and anticipated requirements throughout 1946.

Question 2. How does individual product demand, present and anticipated, compare with refinery capacity on each product; or, in other words, is refinery flexibility sufficient to meet demand for the individual products?

Answer. There is ample historical evidence, based on experience during the war, when relative all-time peak product demands varied over wide ranges, to demonstrate that sufficient refinery flexibility exists to meet all anticipated individual product demands. Even if residual fuel oil demands should increase materially above the present level, such increase could be physically met by the diversion of actual or potential supplies of gas oil or distillate fuel, to residual fuel.

Question 3. What is the probable reaction of crude oil prices with suspension of price control on crude oil and products?

Answer. The trend of petroleum prices in relation to other commodities is shown in the attached chart. Crude oil prices, even after the 10 cent advance recently authorized by OPA, are still only about 10 percent above the level for 1937, whereas the average wholesale price of all commodities is now 25 percent

higher and the average price of raw materials is 40 percent higher. Taking into consideration the increase in average hourly earnings of labor in the petroleum industry of about 63 percent since the base period 1936-39 as presented in our letter of February 25, 1946 (an increase of 52.2 cents per hour), and further taking into consideration increases in all other materials and supplies averaging from 15 to 25 percent, we feel that the average price of crude oil could advance at least 25 cents per barrel as recommended by the Petroleum Administration for War, several congressional committees and your advisory committee, and would still be well within the pattern of price increases already established for practically all other basic raw materials.

While crude oil productive capacity is more than adequate to meet the foreseeable demand for 1946, new reserves must be continually discovered in volume at least equal to the current production. Therefore, it must be recognized that in the long run the petroleum prices must necessarily reflect increased replacement costs.

Question. 4. What will be the probable result as to refined product prices in general, and as to specific products, of a given increase in crude oil prices, taking into consideration the increases that have already occurred in crude oil and other refinery costs?

Answer. Since 1941, as of the time when price ceilings were established, it is estimated that over-all refinery operating expenses, as a result of higher costs of labor and of practically all other items, have increased in the order of 15 to 20 cents per barrel of crude oil runs. Since that time also the average well price of crude oil paid by refiners has advanced by an average of approximately 16 cents a barrel representing various individual increases and the recent general increase of 10 cents a barrel. Thus, raw material and operating costs have increased by a total amount in the order of 31 to 36 cents a barrel or an average of approximately 33 cents.

Against this, since price ceilings were established, certain ceiling price increases, notably on fuel oils, have been authorized by the OPA on refined products, the aggregate of such increases being estimated to be equivalent on the average to about 12 cents per barrel of crude oil run. This leaves a net increase in costs of about 21 cents per barrel of crude oil that has not yet been reflected in increased product price ceilings. To recover this out of the salable products, representing about 38 gallons which can be made from a barrel of crude, would require an average increase of a little over half a cent per gallon of such refined products. If now, ceiling prices were lifted on both crude oil and products, and crude oil prices were to advance further, what would be the reasonable expectation with respect to refined product prices?

The Refiners Advisory Committee has heretofore pointed out that the profit margins for refining have not been sufficient to permit the refining branch of the industry to absorb any substantial crude oil or other cost increases, especially in view of the probably high level of future plant replacement costs with which refiners are faced. There will undoubtedly be times when the price of some particular product will be "soft" as gasoline is present (due in large part, we believe, to the inflexibility of frozen prices at an earlier date) but if the refining branch of the industry is to be self-sustaining and is to permit the continued existence of an independent refining segment of the industry, then not only must presently unrecovered cost increases be recovered, but likewise future increases must be recovered.

For each 10 cents per barrel increase in crude oil prices there must be an average increase in refined product prices of at least one-fourth cent per gallon. Ordinarily some of the products resulting from refining are byproducts which must be sold for whatever they will bring in competition with other fuels. For such products it may be impossible to obtain any increase in price regardless of increased crude oil or other costs.

For some other products the demand and competitive factors may permit some increase, but not the full amount. Therefore, other primary products would have to increase by a greater amount, perhaps a half cent or more per gallon in order to make up the total of 10 cents per barrel of crude.

Except in a superficial and short run sense, there is only one set of supply and demand factors in the oil industry, the supply of crude and the demand for products. There is no material public demand for crude oil as such; therefore, it must derive its economic value from the products into which it can be made.

If, therefore, ceiling prices are suspended and a free market restored with no abnormal factors present, refined product prices generally should be expected to move up in response to net increases in refinery operating costs and in full response to the same economic factors of supply and demand which, in a free market, might result in increased crude oil prices.

As already stated, it would not be likely that the prices of all products would rise by the same amount, not only because of competitive fuels, but also because the degree of necessary refining varies considerably for different products and, as has been pointed out elsewhere, there is considerable variation, on account of seasonal and other factors, in the demand, from time to time, for each of the particular products and, therefore, their prices in relationship to each other would tend to vary. As has already been pointed out, however, there is ample refining capacity, not only to make the over-all total of products required, but to make the full requirements of each of the individual products. It would not be likely, therefore, that the price differentials between the various products would vary materially from those that have existed in the past under similar conditions. The only exception to this would be in the case of some abnormal factor, such as a sudden large increase in military requirements of some particular product or a drastic decrease in the supply of some competitive fuel such, for example, as might result from a prolongation of the present coal strike. It is believed, however, that any unusual increase in any specific product price arising from such abnormal factors could be dealt with as a special problem when and if it arose, and certainly it would be unreasonable to withhold or postpone removal of price ceilings for the industry as a whole merely because of the possibility of some special factors developing.

Question 5. What would the probable effect be of suspension on individual products by areas in correcting present maladjusted prices of products?

Answer. Unquestionably, some adjustments in prices would occur with products which for one reason or another are currently maladjusted. These in our opinion would neither occur nor spread nationally, nor would any substantial percentage of the national production be involved. No revocation of a suspension order should occur due to the correction of these maladjustments since they would not be of an inflationary character and would simply tend to restore normal economic relationships.

Question 6. If ceiling prices are suspended, what will be the probable effect on retail and dealer prices of the various refined products giving consideration to changes in various marketing costs?

Answer. Both retail and wholesale marketing costs have increased as a result of the higher costs of labor and of practically all other items entering into the distribution of petroleum products. There have been some factors at work in the opposite direction also, such as a higher proportion of direct deliveries from refineries or terminals to retail outlets, sales of other lines of merchandise, etc., but there appears to be little doubt that, in the net, marketing costs have undergone an increase. The question then is, whether, if ceilings are suspended, will wholesale and retail marketing margins increase so as to result in a greater increase in dealer and retail prices than in refinery prices? We believe it can be said on this subject that any such increase would not in any event be greater than the actual increase in operating costs, because the field of marketing is a highly competitive one and, in the case of gasoline, the smaller number of automobiles now in use as compared to 1941 makes it highly probable that such competition can be expected to continue on an intensive basis for a long time in the future.

To summarize, it is the conclusion of the committee that while marketing margins may increase slightly, reflecting higher costs, such increases in margins on gasoline and the other leading products would be in the order of a relatively small fraction of a cent per gallon.

Question 7. If, after the removal of all price controls on crude and products, residual fuel oil demand should exceed normal refinery byproduct fuel oil demand; should exceed normal refinery byproduct fuel oil production and necessitate the addition of gas oil to residual fuel oil so that fuel oil price rose to an abnormal level above present ceilings, would you favor the imposition of a flexible price control on fuel oil which would compensate the refiner for the cost of the gas oil necessarily added; for example, some arrangement whereby price advances would be granted to the individual refiners supplying the marginal high-cost fuel oil or the differential gravity price scale for fuel oil used during the war?

Answer. While the committee is in favor of removal of price controls on all products, if, during the existence of price controls by law as affecting the oil industry, the above supply and demand situation on heavy fuel oil should materialize, it feels that imposition of controls as described on fuel oil alone, leaving crude and other product prices unrestricted, could be considered on its merits when and if that time came.

NEW YORK, N. Y., *May 8, 1946.*

HON. ROBERT F. WAGNER,
*Chairman, Senate Banking and Currency Committee,
 Senate Building, Washington, D. C.:*

Retel May 3 our committee has been functioning less than a month and has not arrived at any official opinion regarding need for price control or the extent to which it should be maintained for lubricants. During our meeting May 13 and 14 it is probable we will come to a definite recommendation and I will urge that a statement reflecting committee consensus be transmitted to you on May 14.

R. B. OGDEN,
Chairman, National Lubricants Industry Advisory Committee.

WASHINGTON 5, D. C., *May 8, 1946.*

HON. ROBERT F. WAGNER,
*Chairman, Committee on Banking and Currency,
 United States Senate, Washington, D. C.*

MY DEAR SENATOR: Mr. C. L. Henderson of Wichita, Kans., is chairman of the National Refiners Industry Advisory Committee to the Office of Price Administration. That committee in conjunction with the National Crude Oil Industry Advisory Committee to the Office of Price Administration made a joint report to the Office of Price Administration on May 4, 1946, in regard to the revocation or suspension of price ceilings on petroleum and petroleum products.

Mr. Henderson desires to submit a copy of this report for the consideration of your committee in its current hearings on the extension of the Emergency Price Control Act of 1942, as amended. Therefore, upon instruction from Mr. Henderson, I am submitting herewith a copy of the report and request that it be placed in your record as a statement from him.

Respectfully yours,

NORMAN L. MEYERS,
Counsel for National Refiners Industry Advisory Committee.

JOINT REPORT OF
 THE NATIONAL CRUDE OIL INDUSTRY ADVISORY COMMITTEE AND
 THE NATIONAL REFINERS INDUSTRY ADVISORY COMMITTEE

The National Crude Oil Industry Advisory Committee and the National Refiners Industry Advisory Committee to the Office of Price Administration, meeting in joint session at the Stevens Hotel, Chicago, May 4, 1946, feel obligated to point out that the most urgent need of the petroleum industry is the restoration of an economy freed from the artifices of price control. It is our joint opinion that the average American consumer, the national economy, and the consideration of national defense will all be served best by the elimination of price controls on the petroleum industry. This position is predicated upon the firm knowledge of surplus capacities to produce in all phases of the industry which will lead inevitably to a restoration of keen competitive rivalry among various units of the industry. Competitive intensity over a period of years has been such that the index of petroleum prices as published by the Department of Labor show a decline of 63.5 percent of the base year, 1926, as compared with an index of 105.8 percent in prices generally, since the same base year. Petroleum prices were carried downward by competition notwithstanding the fact that the demand increased 126 percent during the same time period.

The economic forces that have been in operation throughout the war tending to raise the cost of finding, producing, and processing crude oil are inescapable and must be faced sometime. The longer prices are kept artificially from reflecting true costs, the more difficult will be the transition when price controls are finally removed. Price controls contribute to situations of scarcity of different products, which may be used a year from now, and contribute artificial arguments for continuing controls.

Such a philosophy would involve permanent continuation of wartime controls under the guise of preventing inflation. This is not believed to represent the intent of Congress or the American people. The experience since the war demonstrates that the petroleum industry is in a position to meet demands and has attained the situation in which OPA promises to remove controls. It is our firm conviction

that restoration of the benefits of a free economy can only be made available to the American public by complete decontrol. The power to bring about decontrol seems to be clearly set forth in Directive No. 68, amendment No. 2, section 3, as follows:

"**SEC. 3.** The Price Administrator may recommend to the Economic Stabilization Director the suspension of price control with respect to any commodity or transaction, or the exemption of a commodity or transaction from price control, in any specific case, not falling within section 1 or section 2 of this directive, in which in his judgment such action is not inconsistent with the purpose of the stabilization laws."

Suspension will not accomplish desired results, as the industry will not be free to make needed modifications of petroleum prices without inviting reinstatement of price control. Suspension will maintain a sword of Damocles over the industry, preventing freedom of action in the execution of long-time plans for public well-being. Suspension of prices will but prolong the time period before the industry will be freed from price regulations. It will shift the onus of inadequate supplies of any given product necessary to meet any unusual demand from the judgment of OPA, to the oil industry. It will retard the introduction of economies resulting from technological or other improvements from being undertaken, as it may result in temporary profits above the mythical 1936-39 base period for evaluation.

Suspension will mean that some standard of measurement will continue to be applied to the oil industry to ascertain whether that industrial segment is violating the realm of "reasonableness" as judged by a small group of individuals, however able they may be. What are to be the standards of measurement to be applied? What is to be the basis of judgment? Our only answer thus far has been that profits must not exceed those earned during the arbitrarily selected base years 1936-39. The fairness of this base period has never been justified as representing normal earnings for the industry and the subsequent price freezing perpetuated inequalities previously existing. The policy of tying an industry back to such a fallacious base period is a denial of the basic principles of the free-enterprise system. This is the adoption of a regimentation economy which will retard exploration, development, and research. It retards the introduction of needed economies. It halts the growth of an industry in the American economy demanding greater and greater petroleum supplies to meet an ever-expanding desire. It stops the normal or customary return on added investment necessary to serve this growing market.

It is our joint recommendation, therefore, that the Office of Price Administration, the Office of Economic Stabilization, place on the oil industry its full responsibility of meeting the requirements of the American consuming public. Give the industry the freedom to work out those problems without the shackles of governmental price control and it is our firm belief that it will find ways and means in the future, as in the past, of supplying the entire petroleum market at price levels which will continue to be lower than those reflected by the index of prices generally as published by the Department of Labor.

Having clarified our position in this respect, we hereinafter submit our best thinking concerning specific questions put to the committee by representatives of the Office of Price Administration. The answers to the following questions are believed to be equally applicable whether price control be eliminated temporarily or permanently. They are submitted as a cooperative effort on the part of the committees and represent, in the main, a reiteration of opinions previously presented to OPA.

Question 1. How does total demand, present and anticipated, compare with actual and potential crude-oil production and refinery capacity?

Answer. The petroleum industry in the United States produced 4,688,000 barrels daily of crude oil in 1945. The demand for domestic crude oil according to authoritative estimates by various sources will be 4,400,000 to 4,500,000 barrels daily in 1946. The Bureau of Mines has estimated the demand for crude oil from Texas to be 2,030,000 barrels daily in May, whereas the maximum efficient rate of production for the State, determined by the Petroleum Administration for War, is 2,121,000 barrels daily. Surpluses exist in other States also. This is evidence of excess productive capacity.

The record of production in relation to estimated demand shows that there is no reason to believe the States will fix production at a level below current consumption. It must be recalled that prices for crude oil decreased as well as increased prior to the war under similar State efforts to control production so as to eliminate waste.

2104 EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942

Statistics are shown on the following page and on the attached chart, by years since 1937, to demonstrate that production for the United States and Texas has been very close to the estimate of demand issued by the Bureau of Mines and by the Petroleum Administration during the war. To demonstrate the accuracy of State regulatory agencies, for example, in the first 4 months of 1946, Texas' production of 1,994,000 barrels daily exceeded the Bureau of Mines estimate of demand by 37,000 barrels daily. It is reasonable to expect that the industry will endeavor to meet all demands in order to satisfy its customers and that the regulatory agencies will continue, as they have for years, to fix allowables in relation to demand. The comparison of production with the demand estimated by Government agencies is shown in thousands of barrels daily:

	United States			Texas		
	Estimated demand	Actual production	Production above estimate	Estimated demand	Actual production	Production above estimate
1937.....	3,344	3,505	161	1,338	1,398	60
1938.....	3,383	3,327	-56	1,354	1,304	-50
1939.....	3,463	3,466	3	1,403	1,325	-78
1940.....	3,583	3,697	114	1,333	1,333	15
1941.....	3,849	3,842	-7	1,372	1,385	13
1942.....	3,694	3,799	105	1,229	1,324	95
1943.....	4,123	4,125	2	1,598	1,628	30
1944.....	4,582	4,584	2	2,022	2,044	22
1945.....	4,771	4,688	-83	2,090	2,070	-20
1946:						
January.....	4,500	4,625	125	1,950	2,037	87
February.....	4,430	4,695	265	1,890	2,100	210
March.....	4,450	4,405	-45	1,910	1,800	-100
April.....	4,620	4,675	55	2,080	2,040	-40
Average 4 months.....	4,500	4,600	100	1,957	1,994	37

There is in the United States economically situated refining capacity of approximately 4,900,000 barrels daily. In relation to the expected requirements of 4,400,000 to 4,500,000 barrels daily for 1946, there is, therefore, a surplus of refinery capacity under both present and anticipated requirements throughout 1946.

Question 2. How does individual product demand, present and anticipated, compare with refinery capacity on each product; or, in other words, is refinery flexibility sufficient to meet demand for the individual products?

Answer. There is ample historical evidence, based on experience during the war, when relative all-time peak product demands varied over wide ranges, to demonstrate that sufficient refinery flexibility exists to meet all anticipated individual product demands. Even if residual fuel-oil demands should increase materially above the present level, such increase could be physically met by the diversion of actual or potential supplies of gas, oil or distillate fuel, to residual fuel.

Question 3. What is the probable reaction of crude-oil prices with suspension of price control on crude oil and products?

Answer. The trend of petroleum prices in relation to other commodities is shown in the attached chart. Crude-oil prices, even after the 10-percent advance recently authorized by OPA, are still only about 10 percent above the level for 1937, whereas the average wholesale price of all commodities is now 25 percent higher and the average price of raw materials is 40 percent higher. Taking into consideration the increase in average hourly earnings of labor in the petroleum industry of about 63 percent since the base period 1936-39 as presented in our letter of February 25, 1946 (an increase of 52.2 cents per hour), and further taking into consideration increases in all other materials and supplies averaging from 15 to 25 percent, we feel that the average price of crude oil could advance at least 25 cents per barrel as recommended by the Petroleum Administration for War, several congressional committees, and your advisory committee, and would still be well within the pattern of price increases already established for practically all other basic raw materials.

While crude oil productive capacity is more than adequate to meet the foreseeable demand for 1946, new reserves must be continually discovered in volume at least equal to the current production. Therefore, it must be recognized that

in the long run the petroleum prices must necessarily reflect increased replacement costs.

Question 4. What will be the probable result as to refined product prices in general, and as to specific products, of a given increase in crude oil prices, taking into consideration the increases that have already occurred in crude oil and other refinery costs?

Answer. Since 1941, as of the time when price ceilings were established, it is estimated that over-all refinery operating expenses, as a result of higher costs of labor and of practically all other items, have increased in the order of 15 to 20 cents per barrel of crude-oil runs. Since that time also the average well price of crude oil paid by refiners has advanced by an average of approximately 16 cents a barrel representing various individual increases and the recent general increase of 10 cents a barrel. Thus, raw material and operating costs have increased by a total amount in the order of 31 to 36 cents a barrel or an average of approximately 33 cents.

Against this, since price ceilings were established, certain ceiling price increases, notably on fuel oils, have been authorized by the OPA on refined products, the aggregate of such increases being estimated to be equivalent on the average to about 12 cents per barrel of crude-oil run. This leaves a net increase in costs of about 21 cents per barrel of crude oil that has not yet been reflected in increased product price ceilings. To recover this out of the salable products, representing about 38 gallons, which can be made from a barrel of crude, would require an average increase of a little over half a cent per gallon of such refined products.

If, now, ceiling prices were lifted on both crude oil and products, and crude-oil prices were to advance further, what would be the reasonable expectation with respect to refined-product prices?

The Refiners Advisory Committee has heretofore pointed out that the profit margins for refining have not been sufficient to permit the refining branch of the industry to absorb any substantial crude-oil or other cost increases, especially in view of the probable high level of future plant replacement costs with which refiners are faced. There will undoubtedly be times when the price of some particular product will be "soft" as gasoline is at present (due in large part, we believe, to the inflexibility of frozen prices at an earlier date), but if the refining branch of the industry is to be self-sustaining and is to permit the continued existence of an independent refining segment of the industry, then not only must presently unrecovered cost increases be recovered, but likewise future increases must be recovered.

For each 10 cents per barrel increase in crude-oil prices there must be an average increase in refined-product prices of at least one-fourth cent per gallon. Ordinarily, some of the products resulting from refining are byproducts which must be sold for whatever they will bring in competition with other fuels. For such products it may be impossible to obtain any increase in price regardless of increased crude-oil or other costs.

For some other products the demand and competitive factors may permit some increase, but not the full amount. Therefore, other primary products would have to increase by a greater amount, perhaps a half cent or more per gallon in order to make up the total of 10 cents per barrel of crude.

Except in a superficial and short-run sense, there is only one set of supply and demand factors in the oil industry, the supply of crude and the demand for products. There is no material public demand for crude oil as such; therefore, it must derive its economic value from the products into which it can be made.

If, therefore, ceiling prices are suspended and a free market restored with no abnormal factors present, refined product prices generally should be expected to move up in response to net increases in refinery operating costs and in full response to the same economic factors of supply and demand which, in a free market, might result in increased crude oil prices.

As already stated, it would not be likely that the prices of all products would rise by the same amount, not only because of competitive fuels, but also because the degree of necessary refining varies considerably for different products and, as has been pointed out elsewhere, there is considerable variation, on account of seasonal and other factors, in the demand, from time to time, for each of the particular products and, therefore, their prices in relationship to each other would tend to vary. As has already been pointed out, however, there is ample refining capacity, not only to make the over-all total of products required, but to make the full requirements of each of the individual products. It would not be likely, therefore, that the price differentials between the various products would vary materially from those that have existed in the past under similar conditions.

The only exception to this would be in the case of some abnormal factor, such as a sudden large increase in military requirements of some particular product or a drastic decrease in the supply of some competitive fuel such, for example, as might result from a prolongation of the present coal strike. It is believed, however, that any unusual increase in any specific product price arising from such abnormal factors could be dealt with as a special problem when and if it arose, and certainly it would be unreasonable to withhold or postpone removal of price ceilings for the industry as a whole merely because of the possibility of some such special factors developing.

Question 5. What would the probable effect be of suspension on individual products by areas in correcting present maladjusted prices of products?

Answer. Unquestionably, some adjustments in prices would occur with products which for one reason or another are currently maladjusted. These in our opinion would neither occur nor spread nationally, now would any substantial percentage of the national production be involved. No revocation of a suspension order should occur due to the correction of these maladjustments since they would not be of an inflationary character, and would simply tend to restore normal economic relationships.

Question 6. If ceiling prices are suspended, what will be the probable effect on retail and dealer prices of the various refined products, giving consideration to changes in various marketing costs?

Answer. Both retail and wholesale marketing costs have increased as a result of the higher costs of labor and of practically all other items entering into the distribution of petroleum products. There have been some factors at work in the opposite direction also, such as a higher proportion of direct deliveries from refineries or terminals to retail outlets, sales of other lines of merchandise, etc., but there appears to be little doubt that, in the net, marketing costs have undergone an increase. The question then is whether, if ceilings are suspended, will wholesale and retail marketing margins increase so as to result in a greater increase in dealer and retail prices than in refinery prices? We believe it can be said on this subject that any such increase would not in any event be greater than the actual increase in operating costs, because the field of marketing is a highly competitive one and, in the case of gasoline, the smaller number of automobiles now in use as compared to 1941 makes it highly probable that such competition can be expected to continue on an intensive basis for a long time in the future.

To summarize, it is the conclusion of the committee that while marketing margins may increase slightly, reflecting higher costs, such increases in margins on gasoline and the other leading products would be in the order of a relatively small fraction of a cent per gallon.

Question 7. If, after the removal of all price controls on crude and products, residual fuel oil demand should exceed normal refinery by product fuel oil production and necessitate the addition of gas oil to residual fuel oil so that fuel oil price rose to an abnormal level above present ceilings, would you favor the imposition of a flexible price control on fuel oil which would compensate the refiner for the cost of the gas oil necessarily added; for example, some arrangement whereby price advances would be granted to the individual refiners supplying the marginal high cost fuel oil or the differential gravity price scale for fuel oil used during the war?

Answer. While the committee is in favor of removal of price controls on all products, if, during the existence of price controls by law as affecting the oil industry, the above supply and demand situation on heavy fuel oil should materialize, it feels that imposition of controls as described on fuel oil alone, leaving crude and other product prices unrestricted, could be considered on its merits when and if that time came.

NEW YORK, N. Y., May 9, 1946.

HON. ROBERT F. WAGNER,
*Chairman, Senate Banking and Currency Committee,
 Senate Office Building, Washington, D. C.:*

Retel reference extension price control the consensus of the committee is for the continuation of price control with modification to permit a manufacturer to use current labor and material costs in determining direct costs as a basis to which he might add historic mark-up. The committee strongly recommends the elimination of m. a. p. in furtherance of full production.

BEN LEVIN,
Chairman, Negligee Manufacturers' OPA Advisory Committee.

BOSTON, MASS., May 6, 1946.

MR. ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Washington, D. C.:

Newsprint Advisory Committee recommended April 11 to OPA suspension of newsprint paper ceilings.

JOHN L. HOBSON,
Chairman, Newsprint Paper Advisory Committee.

HAMILTON WEB CO.,
Hamilton, R. I., May 9, 1946.

HON. ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Washington, D. C.

DEAR SIR: I have your May 4 telegram requesting a brief statement relative to pending price control legislation.

As chairman of an industry advisory committee, it seems axiomatic to me that when any elements of manufacturing cost are increased under the present price control set-up, it is necessary that corresponding adjustments be made in the price of the finished article, many of which have already disappeared from the market as they can be produced only at a loss. Such price adjustment would inevitably result in volume production which would automatically keep prices in control.

It is my belief that the necessary price adjustments should be effected much more promptly than has been possible under the cumbersome requirements that now prevail in regard to most products. This can best be accomplished by rapid exemption, or suspension, from price control of those articles that have little bearing upon living costs. Far less confusion would exist and business could act with confidence thereby extending production and making larger quantities of goods available.

Typical of this is the narrow fabrics industry. The prices of a large portion of its products were suspended from price control on October 18, 1945, because these goods do not enter largely into the cost of living and because of the many administrative difficulties involved in the maintenance of adequate price controls. Despite increases in wage rates of over 40 percent and in cotton-yarn cost of over 30 percent, the major elements of production costs, since the original ceiling prices were set, there has been only a small over-all increase in prices since the ceilings were suspended and many products have not been subjected to price increase. This has been accomplished entirely through competitive forces which alone were sufficient in this industry.

I, therefore, believe that the experience in our small industry would be duplicated in the larger industries, to the benefit of consumers.

Yours very truly,

JOSEPH WARREN GREENE, JR.,
Chairman, Non-Elastic Narrow Fabrics Industry OPA Advisory Committee.

THE GIBSON & KIRK CO.,
Baltimore 30, Md., May 9, 1946.

SENATE BANKING AND CURRENCY COMMITTEE,
Washington, D. C.

(Attention: Robert F. Wagner, chairman.)

MY DEAR SENATOR: Your wire of May 4 requesting a statement in regard to pending legislation to extend price control, was received during my absence from my office and, for this reason, the reply has been delayed.

My suggestions which follow are necessarily very brief and reflect my three years of close and intimate contact with the Office of Price Administration as chairman of my industry advisory committee.

Many points can be set forth which prove beyond a doubt the enormous value the Office of Price Administration has been to this country during the war period. Unfortunately, increasingly so since the end of the war, many horrible examples of poor judgment on the part of the OPA can be shown. It is extremely difficult to properly evaluate the OPA under such conditions and as usual many radical opinions are rendered by those who know but little of the OPA's internal workings.

Its general policy of "too little, too late" and "do nothing to correct a bad situation unless forced to" has created much bad feeling toward it, and its present attempt to pose as the savior of our country is wide open to ridicule.

The Office of Price Administration has well served its purpose during the period of World War II, but its philosophy developed through that period is absolutely of no value under present conditions. Attempting to breathe new life and new thoughts into the organization as it now stands is useless and would only tend to prolong the period of uncertainty and confusion and almost complete indifference to governmental authority which now totally surrounds us.

For your committee's consideration, I submit the following suggestions.

Separate all price control into at least two groups, such as class A and class B.

Under class A could perhaps be listed all those price controls affecting capital equipment and expenditure which are normally only remotely connected with the "cost of living." This list, among others, would include machinery manufacturers of all types and their sources of supply. Those industries coming under the above heading should have price control removed at once.

Under class "B" would fall all consumer goods, food, clothing and other "cost of living" items. Permit the release from control on an increasing percentage of sales by each individual manufacturer of this type of goods over the next 9 months, starting July 1, and resulting in complete removal by April 1, 1947.

The entire attitude toward price control should be changed from one of uncertainty as to its length of life. Definite and positive steps should be taken to spell out in detail its future termination date. With all such uncertainty removed, the manufacturer and the consumer will know exactly what to expect and can intelligently plan their course of action.

A clear-cut program of decontrol will restore confidence in the future of our industrial life and greatly shorten any inflationary period which might develop, by reason of the rapid growth in production and the resulting increase in competition which such a course would encourage.

Very truly yours,

THE GIBSON & KIRK Co.,
EDWIN W. HORLEBEIN,

President (Non-Ferrous Founders Industry Advisory Committee).

LOUISVILLE, KY., May 8, 1946.

HON. ROBERT F. WAGNER,

*Chairman, Senate Banking and Currency Committee,
Washington, D. C.*

DEAR SIR: I have your telegram saying you would be pleased to include in the Senate Banking and Currency transcript any brief statement of mine concerning pending legislation to extend price control.

May I say that in the early days of the war I was a believer in the necessity for some regulation such as OPA. I regretted very much that when it was developed and established it failed to be all inclusive. I could not see how partial regulation could be successful. Nevertheless, I can assure you it had my wholehearted cooperation. As time went on the fears I had in the beginning seemed to materialize. The efforts to do business under price regulations with only parts of the elements of business under control quickly began to develop differences that as time went on created obstacles which individuals in their competitive effort have found impossible to overcome. Failure to be all inclusive was political in my judgment. In due course, too, the administering of the regulations were such that impossible situations were created both in the individual industries and for individual concerns. During the war time a war spirit was instrumental in carrying on but with the end of the war it has been evident to me that that spirit has passed and as things stand today business organizations are facing and have to face facts and conditions purely from an economical viewpoint.

It is not my purpose to discuss OPA in general. I desire to state a few facts here as concerns our hardwood lumber industry in the north-central region established by OPA. I believe price control here now is only a name and that not 10 percent of the industry is functioning within its regulations. That 10 percent is practically all mills of size and responsibility such as that with which I am associated. Most of the organizations are little. Their bookkeeping methods are crude. They cannot possibly meet the requirements of supplying information as it is required by OPA. I believe the greater part of them actually do not have a knowledge that reaches even 50 percent of the regulations that have

been propounded by OPA as applying to them. The difficulty confronting the industry in this section at this particular time, I believe, can be explained to you briefly by the following statement:

This region has had since the establishment of OPA an approved upward revision of prices amounting to 16 percent. It has had no upward revision since December 1943. Is it possible for you to imagine, if you were endeavoring to carry on lumber business in this section, that the increased costs of materials, labor, or anything else you may know of would permit you to continue profitably to do business with that meager amount of change in your price regulations? The hardwood-lumber business in this region is no different than that in all the regions surrounding us. The name and boundaries of the regions arbitrarily were set up by OPA. The problems before and present needs were those of many other lumber producers throughout the Middle West and the South. As compared with the 16-percent change that has been permitted in this area the OPA has made upward revisions in the southern region of 33 percent. The south-central has had a revision of 24 percent and there is now in process in OPA, fully approved, an additional 11 percent—a total of 35 percent. The Appalachian region has had an upward revision approved and in effect of 26 percent. The walnut industry which functions throughout this entire area had a total revision of 29 percent. Need I say more? How can this industry in the north-central region survive while it is in such an unenviable position? This is one of the examples I have referred to above of maladministering of OPA.

In view of conditions as I see them in my own industry and in view of the limited knowledge I have in other industries which affect my living I must state my belief that we have come to the point where officials in Washington should recognize that we have inflation and strong inflation. The talk of preventing inflation is silly to me. The fact as far as I am concerned is that we are being pushed along the road of inflation at the present time because of the OPA. Were OPA able to administer regulations fully and completely this would not be so. The regulations upon regulations that have been issued have brought us now to the point where there is utter confusion seemingly in all industries. Any effort at enforcement has been so meager that it has been practically worthless. As far as I can see there is no solution of that. As a consequence, the number of devices now being practiced have nullified individual efforts of individual concerns to foster compliance with the regulation. I firmly believe that were OPA to be discontinued we would see advances in hardwood lumber of perhaps 25 percent but I am convinced that the production that would start and go along under a free economy would within this present year have brought about a stabilization in our industry that would see prices adjust themselves to levels which would be less. I believe a healthy condition would soon develop and the lumber so badly needed and not now being made, or that is now going into the black-market channels, would again develop and flow in normal fashion where it is most needed. I do not fear any inflation that may be brought about if OPA is discontinued. I rather fear much more the effects of this ill-regulated method of control that is turning all of the industries into the very type of business that we in our generation saw develop in one industry during the days of another regulation—prohibition—and in all industries during the dying days of NRA.

Yours very truly,

WM. F. FRANKET,
Chairman, North Central Hardwood Lumber Industry Advisory Committee.

HOLT HARDWOOD CO.,
Oconto, Wis., May 7, 1946.

HON. ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Washington, D. C.

MY DEAR SENATOR: I acknowledge receipt of your telegram of May 4, in regard to pending legislation to extend price control.

Last fall I advised Mr. Bowles that I would favor the continuation of the Price Control Act providing they would be reasonable and allow industries a reasonable profit on their operations.

The OPA has been so unreasonable, so unfair, and so arbitrary in its dealings, that I have decided that it would be much better if OPA were discontinued, or at least controlled by the legislation recently passed by the House of Representatives, which does control the acts of OPA and assures industry a fair margin of profit on their production.

To be more explicit, in one instance only, I will cite the case of one northern flooring manufacturer. The OPA, in arriving at its idea of a suitable profit figure, chose a period at which profits were not only low, but during which at least six major northern flooring manufacturers ended their operations because of various discouraging reasons, among which lack of profit was a principal one. As a result of this selection by OPA, this company, doing about \$1,000,000 annual business, is said to be making a fair annual profit if it nets a little under \$15,000 after deducting taxes. Do you consider that a fair return? Or encouraging treatment by a Government agency? And yet, this concern's applications for price relief are adjudged on this basis.

I can give you many other instances where the OPA has been unfair in the lumber and hardwood-flooring matters, for example, giving one concern a much higher price and more liberal rules than they have others, and if you are interested, I will cite actual cases.

The law of supply and demand has always regulated the price of commodities, and eventually, I feel that it always will. Labor is just as much a commodity as is lumber, steel, or any other manufactured article in our United States today, and I believe that if wages and salaries had been frozen at the same time as the prices on all other commodities were frozen, that perhaps we would not have gotten in the mess that we are in at this time.

Very truly yours,

W. L. DEWITT,

Northern Hardwood Flooring Advisory Committee.

PLUNKETT-WEBSTER LUMBER CO., INC.,
New Rochelle, N. Y., May 4, 1946.

HON. ROBERT F. WAGNER,

*Chairman, Banking and Currency Committee,
Senate Office Building, Washington, D. C.*

DEAR SIR: I have your wire asking for a brief statement concerning the pending legislation of price-controls extension. The facts which I am expressing are the views of the majority of the OPA Advisory Committee of the Northeast.

Up until a few months ago, I have been a firm believer in price control for the lumber industry as well as other industries. The increase in black-market transactions has come about so rapidly in the past few months that I am convinced that if lumber were not controlled, the average consumer within a period of 60 days would be paying no more for lumber than he is today. It is quite likely he would not be paying as much.

There is no need of any derogatory remarks directed toward the OPA and its administration. It is, I think, fair to say that failure to enforce the law has resulted in a situation in which the OPA apparently think they are controlling prices, but the average consumer is paying far above ceiling prices, and it is apparent that the thing has gotten so far out of hand that the Enforcement Division of the OPA can never catch up with it.

The rank and file which made up the lumber industry before the war consisted mainly of honest upright citizens. Many of them stood by for years while opportunists not previously connected with the industry, made huge profits. Many of them waited until they were practically put out of business before they reluctantly jumped the fence. A few are still operating with reasonable regard for the law. Much of the money which the consumer is presently paying is not getting back to the manufacturer who, in the final analysis, must correct this situation by producing sufficient supplies to make price control unnecessary. If price control is continued on lumber, the advisory committees representing the industry should have considerably more power. Up until this time either because of the law itself or its administration, advisory committees in the Northeast have been little more than figureheads.

I wish to thank you for the opportunity of putting the views of the Northeast Hardwood Advisory Committee before you.

Very truly yours,

E. R. PLUNKETT,

Northeastern Hardwood Lumber Industry Advisory Committee.

WHITNEYVILLE, MAINE, *May 7, 1946.*

SENATOR ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Washington, D. C.

DEAR SENATOR: I have your telegram of May 3, advising that you would be pleased to include in the transcript brief statement that I might desire to submit concerning the extension of price control.

First I want to say that I think the ceiling-price regulation has been very much needed during the war and has done a good job, especially until the war had been won, as I think a great many manufacturers at that time would do their utmost to produce for patriotic reasons, even if there was no profit.

Since the war has been over, I think that the attitude of the OPA has been decidedly wrong, and they have been much tighter or more conservative than they should. This statement is proven or borne out by the fact that inventories have greatly decreased, especially lumber, since VJ-day.

The advisory committees for various industries, I believe, include able businessmen who are manufacturers of various materials that they represent, and are well qualified to advise, and feel that the OPA should take some advice from them, and I believe it was the intention of the ones who had charge of drafting this regulation when the bill was passed that this Agency should take advice from these committees.

This, however, has not been done, especially insofar as my Committee has been concerned. We are asked by the OPA, or we ask them, for a hearing or a committee meeting, which is granted, and at these meetings we are told what the OPA feels they can grant the industry in the way of ceiling prices and control regulations, but did not ask our advice.

I feel that there is still need of a price control, but I think it should be high enough so there would be an incentive for industry to produce some merchandise, and this has not been the case since VJ-day, and the proof that it has not been the case is the fact that inventories have shrunk since that time.

I feel that the OPA should be continued for another 9 or 12 months, but only if there can be some act of Congress to make it much more liberal than it has been, whereby they would be obliged to grant industries to sell their merchandise at a price that would give them a reasonable profit, but if this legislation cannot be passed, I feel that the lumber business should be excluded from ceiling price regulations, and it is possible that this would have to be done for a great many other materials, as I think that there are many items of merchandise today that are very much needed by our people.

I hope that this statement is not too lengthy for your requirements. If it is, eliminate any part that you see fit.

Thanking you for the privilege of having this statement included in the transcript of the Banking and Currency Committee, I am,

Yours very truly,

L. S. CRANE,
Chairman, Northeastern Advisory Committee
to the OPA for Northeastern Softwoods.

MINNEAPOLIS, MINN., *May 8, 1946.*

HON. ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Senate Office Building, Washington, D. C.:

Reurtel concerning submission of statement with respect to extension of price control, it is my opinion that any extension of price control beyond the time when the 1946 grain crop is determined is unwarranted under the circumstances. Continued arbitrary restrictions upon price movements of grains serve only to hamper and impede the normal and usually efficient distribution of grains and grain products, both in domestic and foreign commerce, and only necessitate the imposition of additional controls designed to effect a cure for the current and prospective maldistribution of food and feed products. Federal controls, based on the theory of scarcity can only continue to produce scarcity and the continued indefinite extension of unnecessary price controls to the detriment of the producer and consumer alike.

HARRY SHERE,
Chairman, Oat Industry Advisory Committee, Office of Price Administration.

NEW YORK, N. Y., May 8, 1946.

Senator ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Washington, D. C.

In response to your wire requesting opinion of undersigned as to price-control extension, it is my opinion that present price controls in the Office of Machine Industry have resulted in black-market operation by a substantial segment of the industry, particularly amongst the smaller dealers, to the great detriment of the industry as a whole and the public.

IRVING R. RITCHIE,
Chairman, Office Machine Industry
Advisory Committee, OPA.

TYPEWRITER AND ADDING MACHINE CO., INC.,
Washington, D. C., May 9, 1946.

Senator ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR WAGNER: Thank you for your telegram of May 4, offering the welcomed opportunity to submit statements concerning pending legislation to extend price control, for the possible inclusion in the transcript of your committee.

The members of my committee are located in various sections of the country, and the time was not sufficient prior to May 10 to convene the members so that our committee might furnish you with an official expression of its views.

As chairman of the committee, however, I am taking the liberty of submitting herewith my personal views so that your committee may include them in its transcript, should it wish to do so.

Any congressional action which would have the tendency to weaken the OPA structure at this time, would, in my opinion, be of the greatest imaginable disservice to our country.

The unbalance between available products and current demand is as obvious in my industry as it is in most other industries today. Price is the least object in the insistent demand for essentials, and if there were to be decontrol at this time, this fact would make itself so evident as to have catastrophic results for our economy.

I do not believe in controls of the nature of OPA for industry in normal circumstances. In view, however, of the abnormal situation today, I sincerely believe that controls, and the strengthening of controls, are required until that time when production has had an opportunity to attain at least a near-balance with demand.

Very respectfully yours,

W. H. WOLOWITZ,
Office Machine Dealers Industry Advisory Committee, OPA.

MARSHALL, MICH., May 10, 1946.

ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Washington, D. C.:

Relative your wire, have exchanged wires with other members of advisory committee and in their opinion price control should not be extended. We have an increase in acreage, which is indicative of abundant supply. Growers are no longer in sympathy with price control. Under short supply black markets develop which cannot be controlled, creating bottlenecks of narrow distribution and excessive high costs to the consumer public.

HOWARD P. DUNLAP,
Chairman, Onion Industry Advisory Committee.

METROPOLITAN PACKAGE STORE ASSOCIATION, INC.,
New York 19, N. Y., May 10, 1946.

HON. ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Washington, D. C.

MY DEAR SENATOR: Acknowledging your recent telegram, permit me on behalf of 21 open States that sell alcoholic beverages for off-premises consumption throughout the country, to submit to you and your honorable committee the following that I would appreciate having added to the minutes of your hearings.

Respectfully yours,

GERALD F. DUNNE,
Packaged Wine and Spirits
Retailers Industry Advisory Committee.

METROPOLITAN PACKAGE STORE ASSOCIATION, INC.,
New York 19, N. Y., May 10, 1946.

SENATE BANKING AND CURRENCY COMMITTEE,
Washington, D. C.

GENTLEMEN: As chairman of the retail advisory committee to OPA on alcoholic beverages, it is our carefully considered opinion that because of the shortages that existed during the past 2 years, regulations under OPA were an absolute necessity. Such shortages still exist and in many instances these shortages are even more acute than during the War. So long as this is true, it is essential that OPA regulations fix ceiling resale prices on all liquor which is difficult to obtain.

Our industry has suffered much from shortages primarily due to the turning over of the facilities of the distilleries for the manufacture of war alcohol. To some extent it has been a rich field for black-market operations. These operations can only be curtailed through regulations as to resale prices which are vigorously enforced.

If OPA were not permitted to continue, such items as are now very short in the market would sky-rocket at the wholesale level. It could even be possible that the wholesale price on some of these items might even be double or triple their present prices. There would be a great likelihood that the average consumer would be totally unable to purchase such items as scotch whiskey, bonded whiskies, and if the curtailment of production continues, even ordinary domestic whiskies.

With prices of liquor running wild, the door would be opened to bootleggers to flood the market with bootleg merchandise upon which no tax could be collected by the Government.

The harmful effect of any possible return to bootleg conditions with its poisonous liquor and gangster activities could be so far-reaching to the country at large as to be practically unthinkable.

There are many things in the OPA regulations of the liquor industry which need revision and which should be approached by OPA officials in a more businesslike manner. However, there could be no doubt that without ceiling prices on liquor, such chaos could result that the whole industry would receive a terrific set-back. Only through the activities of OPA have resale prices kept within bounds and the market for inferior grades of both legal and illegal liquor been prevented from thriving.

Ceiling prices as set by OPA have been a main factor toward the continuance of orderly control and distribution which is so necessary in our industry. We need ceiling prices so long as the period of shortage continues.

Respectfully yours,

GERALD F. DUNNE.

LOUISVILLE PROVISION CO., INC.,
Louisville, Ky., May 8, 1946.

HON. ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR: With your kind permission, and as chairman of the Packers Hide Industry Advisory Committee, I desire to make a brief statement concerning the pending legislation to extend the Emergency Price Control Act.

Conditions in our industry have finally reached the point where the confusion is complete. Never in the history of this industry have conditions been so demoralized. Legitimate slaughterers are saddled with regulations that are im-

possible of compliance. These regulations have caused such a maldistribution of livestock and meats in numerous trade areas that the distribution of meats has become extremely critical.

Due to the impossibility of complying with these regulations, the black market has been growing by leaps and bounds. This has resulted in a sinful waste of both edible and inedible products derived from the slaughter of live animals. One of the most serious wastes and one which affects the health of the entire Nation is the saving of glands for medicinal purposes. Only yesterday a representative of Eli Lilly Co., one of the largest drug manufacturers in the United States, pleaded with us for increased production of pancreas glands for the manufacture of insulin used in the treatment of diabetes. They state that normally approximately a year's supply of insulin is in stock. Today there is less than a 5 weeks' supply on hand for the entire Nation. This is extremely critical.

Leather is another item that is excessively short. The black-market operators, who today are slaughtering the majority of cattle, do not save the hides. Although they fully realize that they could be sold, they do not wish to take the chance of being caught and consequently bury the hides in order to destroy the evidence which may convict them.

The farmer today is also confused. He cannot under present conditions, and with his costs mounting daily, produce meat animals at prices now permitted to be paid under OPA regulations. He therefore has reduced his herds and although the shortage, of beef animals in particular, is not apparent at present, he has quit breeding and within a year the population of live animals on the farms will be almost to the vanishing point.

I am firmly convinced that if controls were taken off livestock and meats, turning back to legitimate slaughterers the business of supplying the Nation with this critical and necessary food item, there will be no place in this Nation for the black-market operators, and supplies and distribution would return to normal.

I would like to file as part of my testimony a compilation of various memoranda and testimony given by Mr. Chester Bowles, Mr. John W. Snyder, Hon. Fred M. Vinson, and Secretary of Agriculture Anderson, and a portion of the reports from the Senate Committee on Agriculture and Forestry assembled by the American Meat Institute and received by me only this morning.

I earnestly request that this committee seriously consider the immediate removal of all subsidies and controls on livestock and meats. In my opinion the removal of these controls is the only way that production and proper distribution of these particular items of food, medicine, and related products will again return to their normal channels.

Thanking you for the opportunity of allowing me to file this brief testimony, I remain,

Very truly yours,

F. E. WERNKE,
Chairman, Packers Hide Industry Advisory Committee.

NEW BRITAIN, CONN., May 7, 1946.

SENATE BANKING AND CURRENCY COMMITTEE,
United States Senate, Washington, D. C.:
(Attention of Robert F. Wagner, chairman.)

Office of Price Administration have stated that further control was not necessary for the padlock industry and have promised decontrol action within near future. Any assistance to eliminate red tape and hasten official action by OPA will be appreciated.

R. M. BASSETT,
Chairman, Padlocks Industry Advisory Committee,
Office of Price Administration.

WASHINGTON 5, D. C., May 8, 1946.

Hon. ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Washington, D. C.

DEAR SENATOR WAGNER: This is in reply to your telegram addressed to Mr. Franklin J. Lane, Chairman of the OPA Paint, Varnish, and Lacquer Industry Advisory Committee, at his request and with the approval of members of the committee.

We welcome the opportunity to express ourselves concerning pending legislation to extend OPA and to register a strong protest against their administrative policy whereby they refuse to recognize the existence of hardship unless it can be demonstrated that an industry's current profits (after adjustment for increased investment and before taxes) are less than those for the average of the base period years 1936 through 1939.

It is true that through cumbersome procedure individual manufacturers may obtain adjustment with respect to specific items for which ceiling prices are below cost but this offers no incentive since the extent of such adjustment is made dependent upon the relationship of current over-all profits to base period earnings and it is only in cases where such earnings are less than in the base period that the adjustment will permit any profit whatever on the specific items in question.

We believe this constitutes regulation of profits in a manner contrary to the intent of Congress in authorizing OPA to maintain fair and equitable prices.

The products of the paint, varnish, and lacquer industry are numerous in type and cover a broad range of uses which are absolutely necessary for the housing program and in fact for all types of buildings as well as for automobiles, refrigerators, washing machines, and literally thousands of other products of industry, all of which are essential to employment in the reconversion period—employment which can not be provided unless suitable products of our industry are available to give the finishing touch to construction or production.

Under OPA regulations we are still required to maintain selling prices at the level of March 1942 though we have demonstrated to their satisfaction that in 1945 there had been an increase of 22 percent in raw material costs and an increase of 38 percent in labor costs since these selling prices were established in the fall of 1941, and there have been additional increases since the first of this year.

It is true that increased volume resulting from war contracts compensated to a large extent for decreased profit margin during the war, but now that we are struggling to meet the needs of our peacetime economy and threatened with decreased volume as well as further increases in cost, the combination of decreased volume and decreased profit margin may well be disastrous, particularly to the hundreds of smaller manufacturers who predominate. The report of the Bureau of the Census for 1939, the latest year for which such data are available, indicated that at that time 92.3 percent numerically of the 1,166 manufacturers in the industry had a sales volume of less than \$1,000,000, while 51 percent did a business of less than \$100,000 per year.

We strongly urge that the members of your committee recommend, for adoption the Senate legislation which will direct OPA to cease to regulate profits and which will permit the manufacturers in our industry to recover in their selling prices at least the bare actual increases in factory cost which have been and may be sustained above the 1941 cost of production.

Very truly yours,

ERNEST T. TRIGG,

Secretary, OPA Paint, Varnish, and Lacquer Industry Advisory Committee.

P. S.—For your information, we are enclosing copy of appeal to OPA made on behalf of the industry by the National Paint, Varnish, and Lacquer Association, dated April 16, 1946. They have replied that they feel the necessity of making a study (with all its attendant delays) to provide “a measurement of the industry's relative financial position as compared to base period, as a means of determining to what extent the paint industry can absorb cost increases, in conforming with existing price policy, without impairing their financial standing.”—E. T. T.

NATIONAL PAINT, VARNISH AND LACQUER ASSOCIATION, INC.,
Washington 5, D. C., April 16, 1946.

To Members of the Industry:

Attached you will find copy of an appeal to OPA for price relief, which speaks for itself.

The first letter (two pages) is a covering letter which summarizes our request. The supporting letter goes into considerable detail and attached to it is the tabulation of raw material items showing the increase in costs referred to in the body of our letter.

We will keep you posted as to developments and would be very glad to have any comments from your regarding the basis of the appeal and the appeal itself.

Sincerely yours,

ERNEST T. TRIGG, *President.*

Enclosures.

WASHINGTON 5, D. C., April 16, 1946.

OFFICE OF PRICE ADMINISTRATION,
Washington 25, D. C.

GENTLEMEN: We are hereby requesting price relief for the members of this industry, the details of which are covered by the attached letter and the sheets attached to it. To summarize this—

We respectfully request that in view of—

- (1) The vital importance of the products of this industry in the reconstruction program of the Nation;
- (2) The fact that a substantial number of manufacturers are currently making less money, after adjustments and before taxes, than in the base period;
- (3) The critical shortages of important raw materials and containers;
- (4) The indicated decrease in volume of business;
- (5) The increase in cost of raw materials;
- (6) The increase in cost of labor;
- (7) The increased costs due to readjusting our businesses on an aggressive peacetime basis;
- (8) And finally to create proper incentive to encourage maximum effort and production;

that our industry be permitted to increase its selling prices by an amount equal to the actual increase in costs today as compared to the costs on which the March 1942 prices were based. By costs we mean raw materials, plus containers, plus labor, and plus other factory expense, including superintendence, overhead, etc. In other words, the cost of the product, packaged, labeled and in a case, ready for shipment, but not to include any costs after factory.

In order to make perfectly clear what we mean, let us use the example of a product priced in March 1942 at \$2 per gallon, the cost of which when that price was established was \$1.50 per gallon. If the cost on that product under today's conditions has increased to \$1.65 per gallon, then under our request we would be permitted to increase our selling price by the difference of 15 cents in the cost, making the selling price \$2.15. (NOTE.—We do not request an advance to include any profit on the increase in cost, or anything to cover increased expense beyond factory cost.)

While the granting of this request would be a substantial relief to and an incentive for the individual manufacturers in this industry, its effect upon the public purchasing power and the cost of living would be negligible. The total volume of business for the industry for the year 1945, as reported by the Department of Commerce, was \$643,425,141. Figuring a population of 140,000,000, this represents a total per capita of \$4.60 annually based on the prices which were in effect in 1945.

You may rest assured that the granting of the relief requested will not be abused as there is intense competition in this industry and with perhaps as many as 1,400 separate units involved, distributed throughout the country, it is completely apparent that when the industry's production approaches or reaches the point of meeting the demand that the price situation will no longer be a problem and that the public can depend upon and receive the lowest prices then possible, quality considered.

Our conditions may be somewhat different from some other industries in that we are facing the almost certainty of a reduced volume of business in spite of a very substantial market for our products. This is due to the shortage of materials and containers, and relief in this situation is not in sight. Added to this is the accumulated increases in costs of raw materials, of labor, and most other items of doing business with the prospect of further increases in such costs which makes it imperative that the industry should have the measure of consideration herein asked for. Our request has been tempered by our appreciation of the over-all price problem with which you have to deal, and we are asking for the privilege to cover in our selling prices only actual factory cost increases without any profit on such increased cost and without any consideration for increases in expenses after the factory.

We have a large file of correspondence from manufacturers all over the country setting forth their individual situations and urging immediate consideration of this subject. All of this is available to you, if desired.

We submit this request to you with every confidence that it will have your sympathetic consideration and we earnestly and respectfully urge that we may have your response at your early convenience.

Respectfully submitted.

ERNEST T. TRIGG, *President.*

Enclosures.

WASHINGTON 5, D. C., *April 16, 1946.*

OFFICE OF PRICE ADMINISTRATION,
Washington 25, D. C.

GENTLEMEN: The paint, varnish, and lacquer industry has like some other industries been under the control of the price ceilings established by the General Maximum Price Regulation and Maximum Price Regulation 188 putting a ceiling on its prices as of March 1942. Our industry accepted these conditions during the war as we should have done notwithstanding the fact that because of failure to hold prices on some of the most important raw materials purchased by our industry as well as on services our costs were on an almost continuous upward trend.

Now that hostilities are over and it is our responsibility to do our full part in the reconversion period, we feel that a measure of relief in the price control situation should be afforded to this industry to enable it to adequately plan and put into effect production and distribution on a basis which will provide a reasonable profit incentive to the manufacturer and result in a maximum of employment not only within our own plants but employment resulting from use of our production on buildings, products, and construction of all kinds throughout the country.

We are, therefore, respectfully presenting the result of careful consideration of this subject by various groups within the industry and with the approval of the executive committee of this association consisting of 21 representatives of the industry elected by the membership of the association. The representation on the executive committee is a well-balanced cross section of the country geographically and includes large, medium, and small manufacturers and has on it representation of the various principal types of industry production. The association has in its membership in excess of 90 percent of the industry's production and numerically 75 to 80 percent of all manufacturers so that it is thoroughly representative of the industry as a whole.

We are presenting the matter from the standpoint of what we believe to be sound policy and with due consideration of the dangers of undue inflation and the unfavorable result of such undue inflation on the public generally. We believe that OPA has in the main served a useful purpose and that reasonable and well-considered controls should continue for the time being with respect to products where the supply continues to be seriously inadequate to meet the demand. This control, however, should in our opinion be tempered by the facts and with due consideration to reasonable encouragement of individual effort and to bringing out all the resources, ingenuity, and competitive advantage that can be obtained only when the proper and well balanced incentive exists.

In our consideration of this matter and its presentation to you, we are therefore basing it on what we believe to be the American conception of sound economics, and on its merits without the formalities which were considered necessary during the war.

SIZE OF INDUSTRY

These data are presented so you will understand the numerical size of this industry and the large number of small units involved. In 1939, the latest year for which complete data are available, the Bureau of the Census of the United States Department of Commerce reported that there were 1,166 manufacturers of paints, varnishes, and lacquers, each with production valued at more than \$5,000 per year. The distribution of these establishments according to size, as measured by the value of their production, was as follows:

\$5,000 to \$19,999.....	214	\$500,000 to \$999,999.....	113
\$20,000 to \$48,999.....	243	\$1,000,000 to \$2,499,999.....	59
\$50,000 to \$99,999.....	140	\$2,500,000 to \$4,999,999.....	22
\$100,000 to \$249,999.....	233	\$5,000,000 and over.....	9
\$250,000 to \$499,999.....	133		

These figures, as stated, are for 1939. There are no accurate statistics available indicating the present numerical size of the industry, but it is probable that the total number of manufacturers, including some very small ones who may not

have been included in the 1939 report because they were then doing an annual business of less than \$5,000, plus others who have started in business since that date, may now total as many as 1,400. In any event, you will note from the above figures that, out of 1,166 manufacturers reported by the Bureau of the Census, only 90 did a business of \$1,000,000 or more, leaving 1,076, or 92.3 percent, numerically doing a business of less than \$1,000,000 per year. And, to further break this down, there was a total of 597 reported as doing a business of less than \$100,000 per year. In other words, 51 percent numerically had a volume from \$5,000 to \$99,999 per year. These factories are distributed all over the United States.

WHAT PAINT MEANS TO THE PUBLIC

Conservation

This information is included to record the importance of the industry's production to the public and to reconversion—also to make clear the necessity for rebuilding sales and technical organizations to service our products to the consumer.

The basic and primary purpose of the products of this industry is to protect, preserve, and prolong the life of the materials and products over which they are applied. Without the protection of these products, the great achievements of modern building and construction would be impossible. Steel bridges are kept safe and sound for transportation by the use of paint. As a matter of fact, in the whole scheme of modern science and engineering, there is no permanence, stability, or even safety without the protection afforded by paint products.

Every structure, practically every mechanical or electrical engineering product—the tools of trade, the instruments of science, the tools and equipment of the farmer, and the implements of war—must be partially or wholly coated or they will soon become useless.

Public health, safety, and morale

Our products used on the interiors of homes, hospitals, offices, and factories also play an important part in their contribution to public health and safety. Wherever paint is applied, it destroys germs and provides a sanitary protective coating that is easily washed. Hospital rooms are constantly repainted for this purpose. Nor is this the only health purpose paint serves. Special coatings on the inside of food cans prevent the contamination of our foods. The health of our children is protected by products of the paint industry used on desks, chairs, walls, and floors. Waiting rooms, washrooms, lavatories, and other public places are painted as a safeguard against infection and disease. Improved illumination contributes to the safety and increases the efficiency of factory workers. It is an important factor in saving power. Moving machine parts painted in contrasting colors help to prevent accidents. Zone marking on city streets, center-line marking on State highways, painted bridges and guard rails are all important to the safety of pedestrians and motorists.

And while we are thinking in terms of conservation, health, safety, and morale, we must not overlook the dual personality of a protective coating. As we protect our homes, buildings, factories, and other essential products with paint, a collateral benefit is contributed by color: maintaining the morale of people generally. Heartening, inspiring colors in one's surroundings give a definite lift to the spirit and without question bolsters morale. This point was excellently exemplified by Gen. George C. Marshall, who, in his capacity as Chief of Staff of the United States Army, told a special Senate committee:

"I personally ordered the painting of the new cantonment buildings at a cost of \$15,000,000 above estimates because I believed it would be very bad for morale to coop up men for a year in World War-type places that looked like lumber yards."

Similar reasoning logically applies to civilian morale.

We would like to emphasize that this morale-building factor is accomplished when you paint to protect. When paint is applied for protection and sanitation it automatically beautifies at the same time. There is no additional use of critical or other materials and there is no additional cost.

TWO GENERAL TYPES OF PRODUCTS

This industry is made up of two main classifications known in the industry as trade sales goods and product finishes. Numerically, more manufacturers in the industry are either exclusive in the trade sales business or predominantly so, while there is a substantial number of companies whose business is largely product finishes with or without some trade sales output.

Trade sales

Trade sales goods are intended largely for structural work, homes, factories, office buildings, and maintenance generally, both exterior and interior. Distributing methods vary depending upon the policy of the manufacturer, size of his business, kind of products produced, his location, etc. Distributive methods include sales to wholesalers for resale to dealers, direct sales to dealers (paint and wallpaper, hardware, general stores, lumber yards, etc.), through chain stores and company-owned retail stores; also direct sales to large contractors and maintenance accounts generally.

The marketing of trade sales goods is done by salesmen trained in the business. Often technical advice and helpful service is rendered by an experienced salesman. He must be familiar with the practical use of his materials in selling to consumers.

Product finishes

Product finishes are coating products, supplied for use on units for original sale, such as new automobiles, airplanes, furniture, refrigerators, food cans, insulated wire, fabrics, and hundreds of other major products in factories all over the country. They must be adapted to application on various surfaces—wood, paper, metal, plastic, textiles, etc.—and meet production conditions and equipment of individual factories. In short, product finishes might best be described as a prescription or custom-made trade. It is the exception when a standard product can be generally supplied to factory consumers—even in the same line. This is for local reasons, such as climatic conditions, difference in selections, treatment or assembly of the surface to be coated, difference in method of application, variation in drying equipment, and mechanical methods to produce final finish, just to mention a few.

Product finishes consumers frequently operate on a production line. Interruptions are costly, and corrections must be made quickly and definitely. This often requires expert and expensive service and may necessitate an appreciable and immediate increase in basic cost of a corrective coating product.

The salesman selling volume product finishes must be sufficiently technical, experienced, and practical with the use of the material, to present it properly and influence the choice of the practical operating man in the factory whose business he solicits.

He should have the ability to diagnose and provide remedy for finishing troubles. A change in the product of the customer must often be followed immediately by a change in the finishing material. To meet such changing conditions, product finishes manufacturers must have technically trained salesmen who are familiar not only with the materials of their own industry but the practical problems of their customers. It is obvious that in the industrial field, the finishing room is the bottleneck. The speed of the final process—finish—is the speed of the factory. Any trouble with the finishing material, whatever may be the cause, threatens serious loss, and must be eliminated without delay. Whether the cause is in the factory or the finish, the product finishes manufacturers must immediately find the remedy. As a result, product finishes manufacturers must have constantly available specially trained servicemen who can be sent to a customer's plant on practically a moment's notice when trouble threatens or develops.

1945 VERSUS BASE PERIOD

We are familiar, of course, with your requirements during the war that in order for an industry to receive consideration on an appeal for price relief it must demonstrate that the current net profits (after adjustment and before taxes) were less than during the base period 1936-39. We are not arranging to have any such figures presented to you but are presenting our case based on the considerations which will be developed later. Some manufacturers in our industry have been, we understand, submitting to you regularly their financial reports which are available to you for such consideration as you may desire to give to them. But our problem is an industry-wide one, concerning, as pointed out above, a large number of very small manufacturers, many of whom would have great difficulty in submitting figures in the form which you require.

We have information in answer to a question recently asked of the industry showing that a very substantial number of manufacturers made less money during 1945, after adjustments and before taxes, than they did in the base period. Manufacturers showing lesser profits in 1945, as well as all manufacturers, have been advised of amendment 37 to order A-2 under MPR-188. The information which you have given us in your letter of April 12 in reply to our letter of March

21 on this subject will be furnished to all manufacturers in this industry. You will appreciate from the inquiry in our letter of March 21 that we desired to develop a simplified procedure which eligible manufacturers might use under amendment 37. It is not only a case of manufacturers whose dollar profits are currently less than in the base period, but it is a question of broader policy, namely, that we are back 100 percent in a civilian economy with the attendant responsibility of supplying large quantities of material in order to do our part in the reconversion period. In other words, we do not believe that the act of Congress under which OPA exists is intended to regulate and limit the dollars of profit which may be earned and we earnestly and sincerely feel that the continuation of such a policy in peacetime will discourage initiative, aggressiveness, and energy and result in a continued deficiency in production as against demand.

There is another consideration bearing on the price and profit possibilities which is immediately important to our industry, namely, the possible decline in volume of business which the industry may be able to do this year and next.

REDUCED VOLUME PROSPECTS

There is a large accumulated backlog of paint business due to war deferment plus a heavy demand for the products of our industry for new construction, new homes, new automobiles, new refrigerators, new furniture, and countless other product requirements, all of which would appear to guarantee a substantial sales volume for some time to come. However, the immediate outlook is anything but encouraging due to the shortage of essential raw materials. This is undeniably true so far as the supply as related to demand is concerned, but even more important than this is the threat to continued production on the 1945 level.

DRYING OILS

Currently the drying-oil situation is more serious than at any time during the war. By an order of the Department of Agriculture, our use of certain drying oils is limited to 75 percent of our consumption for all purposes in the corresponding calendar quarters (average) of 1940-41. And let us record here the fact that because our base is 1940-41, the total amount of these oils which we are permitted to use by application of 75 percent to the base is reduced to approximately 60 percent of 1941 consumption on account of the lower consumption in 1940.

Linseed oil

Linseed oil is our principal drying oil. It comes from flaxseed, the domestic crop of which in 1945 was close to 37,000,000 bushels. Even though this was comparatively a large crop, it will fall far short of meeting our requirements for the crop year ending June 30, 1946, and we have been unable as yet to supplement it with substantial imports from Argentina, which was our principal source of supply before the war. Manufacturers are currently finding it difficult to obtain delivery of the amount of linseed oil which they are permitted to use under order WFO-42a and the industry is faced with a threatened cut in the quota to 60 percent. Whether or not there will be a further cut is not yet determined, but we are confident every effort will be made to prevent it. However, even though the present quota is continued, our situation so far as this important item is concerned is most critical.

The 1946 crop of flaxseed will be harvested this fall. The size of this crop promises to be most disappointing, since the Department of Agriculture has reported that the farmers' "intentions to plant" as of March 1 indicate a crop of only 28,000,000 bushels. This is nearly 25 percent less than the 1945 production, which is short of meeting our requirements. Our supply of this important oil for the late fall of this year and for the bulk of 1947 will depend upon the size of our domestic crop plus such small supplies as may be obtained from Mexico and Canada and whatever quantity we may get from Argentina and Uruguay, which is entirely problematical.

Tung oil

Tung oil from China was before the war a very important drying oil in this industry. While we produce a small quantity in some of the Southern States, the average domestic production for the last 5 years did not amount to more than 5 percent of our normal consumption. While there now are small quantities coming in from China occasionally, they are negligible in the amount. Fantastic prices prevail in Chinese currency of uncertain exchange value, hampering even what

limited opportunity for tung oil export that exists there. Net results will probably be very small quantities arriving for a time, with slowly and gradually improving conditions. One factor advises that "cables report sales to United Kingdom at a price equivalent in United States currency far above OPA permissible ceiling prices here."

Dehydrated castor oil

Dehydrated castor oil is another one of our drying oils, and here again the demand continues to be far in excess of supply. The heavy demand is due to the absence of tung oil, the near absence of oiticica oil (from Brazil), and the shortage of linseed oil. Castor beans are imported from Brazil, and while we understand there are substantial quantities of castor beans there, they grow wild in back country with very little transportation facilities available to move the crops to terminal ports for export. Furthermore, such railway equipment as exists is in bad condition, much of it unusable.

Oiticica oil

Stocks of oiticica oil are virtually exhausted as to unsold supplies. New crop movement will be very late owing to unfavorable weather, inadequate transportation, insufficient labor, and inflated direct and indirect costs. Here again we must contend with the world-wide shortage which creates competition unaffected by OPA ceilings.

Fish oil

Another oil which we use is fish oil, the situation with which is very tight due to the fishing on the Pacific coast this season being most disastrous. Comparative figures show that as of February 3, 1945, there were caught 530,000 tons of fish on the entire Pacific coast, compared with 387,000 tons this year, so that the total production is down to around 70 percent. This means even less than 70 percent for the paint industry because the southern California fishing, most of which goes to the vitamin trade, was fairly normal, and if we consider the San Francisco Bay and Monterey areas, we find that the fishing in these two areas was around 60 percent of last year's production which in turn was not considered a good year. There is practically no reserve supply on hand in any direction.

Soybean oil

While our industry could use if it was available a considerable quantity of soybean oil, this situation is very tight and orders of the Department of Agriculture prohibit our use of this oil for any purposes except in connection with the manufacture of resins and plasticizers.

WHITE PIGMENTS

Titanium

One of the principal pigments our industry depends upon is titanium. The demands for titanium continue to be as great as or greater than during the war. The Navy's requirements for maintenance of the active fleet and for the ships' lay-away program continue to be heavy. Expansion projects in titanium production, forbidden during the war, are in progress, but it will be the latter part of 1946 or early 1947 before any relief can be expected through increased production. Furthermore, the increased production now under way will be far from sufficient to take care of requirements.

Zinc oxide, lithopone, and zinc sulfide

The available supply of lead-free zinc oxide made from ore has improved recently but there is relatively only a small amount of this particular type of zinc oxide used in the paint industry. The supply of leaded zinc oxide, which is the most important product in this particular field to the paint manufacturer, continues to be inadequate with no indication of any improvement. The situation on lithopone and on zinc sulfide pigments is extremely acute and here again there is no evidence of any improvement.

Lead

There is a world shortage of lead, which makes it impossible to augment our domestic productions sufficiently to provide for our requirements, and as a result the allocation for lead chemicals, including white lead, will probably be about 25 percent less in the second quarter than for the first quarter.

Glycerine

This is a most important material used in the manufacture of many of the resins employed in our industry. The current and prospective supply is entirely inadequate to the demand.

CONTAINERS

It is possible that many paint manufacturers will be faced with frequent shut-downs during the next few months because of inability to obtain containers. Due to the steel strike, the plate mills were deprived of material for several weeks and the food pack now has first call so that it is difficult to obtain delivery of cans within the use permitted by CPA order M-81, which is based on 1945 use and currently does not permit in any one month the use of more than 10 percent of the annual quota. Fiber-bodied cans which we used in large quantity during the war are now not available as most manufacturers dismantled their production lines early in 1945. We are told that one large producer of fiber-bodied cans exclusively is out of production and will be unable to resume operations until he receives plate for the tops and bottoms, and he is in no better position to obtain deliveries of plate than the manufacturers of all-metal cans. Furthermore, we are advised that even though production facilities were available and metal ends might be obtained, the fiber-bodied container manufacturer probably could not obtain the paper required. At one time during the war glass was used for packing some paint items which generally proved unsatisfactory. Furthermore, the glass manufacturers had little interest in this business which they considered as only a temporary thing due to the unavailability of metal containers and they are now devoting their entire energies to meeting requirements for the food pack.

SUMMARY ON POSSIBLE VOLUME

We have given you some detail on the principal raw materials because of the serious implications involved. But there are other shortages, too, of serious moment to the industry. In support of this we are attaching copy of a so-called raw-material survey which went to members of the industry under date of February 27, 1946, and we invite you to read this and thereby get the current story as to material supplies.

As has been pointed out above, there is a very substantial business available and in prospect, but we are limited in what we can do by the raw materials available. When shortages first began to appear in the early days of the war it was possible for the industry to make readjustments, but the opportunities in this direction have long since been exhausted and we are down now to the practical problem of producing only so far as limitations of raw materials permit.

It is, of course, impossible for anyone to predict with finality the effect of this condition on the industry's volume for this year and for 1947. As indicated above, there is no assurance that the drying-oils situation will be any better in 1947. While titanium supplies should be increased somewhat by the beginning of next year, they will still be inadequate and there are no assurances of improvement in the other white pigments. We have discussed this matter in our committee meetings and with various members of the industry and it is our best judgment that in view of these shortages the industry's volume of business for 1946 may be reduced from 20 to 25 percent.

1942 PRICES AND RELATED COSTS

The prices of this industry in effect in March 1942 were, generally speaking, established in the early fall of 1941 and were based upon costs which were in effect at that time and there had been some increase in the costs of raw materials, labor, and other expenses entering into the fall of 1941 costs prior to March 1942. The industry's prices, therefore, as of March 1942 reflected a less-than-normal spread over the cost on which they were based.

Increase in Raw Material Costs

We have carefully prepared a statement which is attached showing in detail the increased cost of the principal raw material items normally used in this industry as of September 1941 versus March 1946 and we have arrived at a weighted average increase thereof. In explanation of the procedure, we obtained from responsible sources, mostly Government reports, the total consumption of drying oils, solvents, pigments, plasticizers, and resins and filmogens for the year 1941 and extended these at the unit value in effect in September 1941 and at the unit value in effect in March 1946. (The unit values shown are per pound unless

otherwise noted.) The unit values for both periods were obtained from the Oil, Paint, and Drug Reporter except in the case of resin items 5, 6, 7, and 8, which were obtained from the Tariff Commission and are their most recent figures which are for 1944. Summarized this shows that on a weighted value basis these several classes have increased to the following extent:

	<i>Percent</i>		<i>Percent</i>
Drying oils.....	27	Plasticizers.....	- 33
Solvents.....	31	Resins and filmogens.....	25
Pigments.....	9		

The weighted average of all classes shows an increase of 22 percent.

We have not attempted to cover all of the thousand or more raw materials which are used in this industry, figures covering many of which are not available, but to the best of our knowledge and belief the products covered by these figures represent at least 90 percent by value of the raw materials purchased by the industry.

Increase in labor costs

While the United States Department of Labor publishes figures covering wages paid in productive industry, these figures are based upon the total wages paid which include overtime as well as pay for regular time, and, consequently, are influenced by the amount of overtime worked which, of course, varies. We believe a more accurate view of the increase in wages paid currently and in prospect is a comparison of the increase in the basic or regular time rates and we have, therefore, obtained figures from various independent manufacturers, large, medium, and small, as well as those located in metropolitan centers and in small cities and in different parts of the country, and find that the increases in basic rates currently as against September 1941 range from 35 to 75 percent. We have obtained what we believe to be an accurate figure from one large manufacturer who operates plants in a number of cities, large and medium size, from the east coast to the west coast and whose aggregate employment varies considerably in the different plants and hence we believe represents a reliable cross section of the country, geographically, as well as with respect to local conditions, etc. This manufacturer reports an increase in the basic rates of pay to factory employees for all plants on a weighted average basis of 38 percent over the period September 1941 to March 1946.

Increases in selling and administrative expenses

One of the reasons manufacturers in our industry were able to go through the war period on the March 1942 ceilings was that because of the heavy military paint requirements it was possible to eliminate certain expenses, notably in the field of selling and advertising. Salesmen who did not enlist or were not drafted were taken off the road and put to work in the office, factory, or laboratory to replace men who had entered the service. Now these men are coming back and they are expecting to be reinstated and the manufacturers have the responsibility of reconstructing and building up again their sales and promotion activities and their technical and laboratory forces in order to service their products to the best benefit of the consumer. (See comment as to necessity under "Trade sales" and "Product finishes" above.) There has also been some necessary increase in compensation to office and laboratory employees and other increases of an administrative nature which must be recognized. Over the war years there have been numerous and substantial increases in the cost of transportation for the delivery of finished products. These vary in different sections and it is difficult to express this increase in expense specifically, but it is probable that delivery costs have gone up over the period in question from 25 to 30 percent. All of this means some increase in selling and administrative expense, the extent of which increase, however, it is extremely difficult to estimate and express in a percentage figure. We are, therefore, contenting ourselves with calling attention to it as a factor without being able to point out definitely what it will amount to.

We respectfully request that in view of—

- (1) The vital importance of the products of this industry in the reconstruction program of the Nation;
- (2) The fact that a substantial number of manufacturers are currently making less money, after adjustments and before taxes, than in the base period;
- (3) The critical shortages of important raw materials and containers.
- (4) The indicated decrease in volume of business.
- (5) The increase in cost of raw materials.

- (6) The increase in cost of labor;
- (7) The increased costs due to readjusting our businesses on an aggressive peacetime basis;
- (8) And finally to create proper incentive to encourage maximum effort and production;

that our industry be permitted to increase its selling prices by an amount equal to the actual increase in costs today as compared to the costs on which the 1942 prices were based. By costs we mean raw materials, plus containers, plus labor, and plus other factory expense, including superintendence, overhead, etc. In other words, the cost of the product, packaged, labeled and in a case, ready for shipment, but not to include any costs after factory.

In order to make perfectly clear what we mean, let us use the example of a product priced in March 1942 at \$2 per gallon, the cost of which when that price was established was \$1.50 per gallon. If the cost on that product under today's conditions has increased to \$1.65 per gallon, then under our request we would be permitted to increase our selling price by the difference of 15 cents in the cost, making the selling price \$2.15.

(NOTE.—We do not request an advance to include any profit on the increase in cost, or anything to cover increased expense beyond factory cost.)

While the granting of this request would be a substantial relief to and an incentive for the individual manufacturers in this industry, its effect upon the public purchasing power and the cost of living would be negligible. The total volume of business for the industry for the year 1945, as reported by the Department of Commerce, was \$643,425,141. Figuring a population of 140,000,000, this represents a total per capita of \$4.60 annually based on the prices which were in effect in 1945.

You may rest assured that the granting of the relief requested will not be abused as there is intense competition in this industry and with perhaps as many as 1,400 separate units involved, distributed throughout the country, it is completely apparent that when the industry's production approaches or reaches the point of meeting the demand that the price situation will no longer be a problem and that the public can depend upon and receive the lowest prices then possible, quality considered.

Our conditions may be somewhat different from some other industries in that we are facing the almost certainty of a reduced volume of business in spite of a very substantial market for our products. This is due to the shortage of materials and containers, and relief in this situation is not in sight. Added to this is the accumulated increases in costs of raw materials, of labor, and most other items of doing business with the prospect of further increases in such costs which makes it imperative that the industry should have the measure of consideration herein asked for. Our request has been tempered by our appreciation of the over-all price problem with which you have to deal, and we are, as previously pointed out, asking for the privilege to cover in our selling prices only actual factory cost increases without any profit on such increased cost and without any consideration for increases in expenses after the factory.

We have a large file of correspondence from manufacturers all over the country setting forth their individual situations and urging immediate consideration of this subject. All of this is available to you, if desired.

We submit this request to you with every confidence that it will have your sympathetic consideration and we earnestly and respectfully urge that we may have your response at your early convenience.

Respectfully submitted.

ERNEST T. TRIGG, *President.*

Enclosures.

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 2125

Raw materials—paint, varnish & lacquer industry

	Consumed in 1941	Septem- ber 1941 unit value	1941	March 1946 unit value	1946
DRYING OILS					
1. Linseed oil.....pounds..	373,745,000	0.104	\$38,869,480	0.147	\$54,940,515+
2. Tung oil.....do.....	48,825,000	.34½	16,722,563	.383½	18,736,594+
3. Oiticica oil.....do.....	25,000,000	.22	5,500,000	.25½	6,375,000+
4. Fish oil.....do.....	40,653,000	.075	3,048,975	.089	3,618,117+
5. Soybean.....do.....	41,594,000	.135	5,615,190	.138	5,739,972+
6. Dehydrated castor oil (all grades) do.....	44,240,000	.169	7,476,560	.1975	8,737,400+
Total.....			77,232,768		298,147,4598
SOLVENTS					
1. Turpentine.....gallons..	3,192,450	.85¼	2,721,564	.93½	2,984,941+
2. Mineral Spirits.....do.....	192,500,000	.10½	9,712,500	.11	10,175,600+
3. Acetone.....pounds..	8,969,000	.08½	762,365	.07	627,830-
4. Butyl Alcohol.....do.....	172,500,000	.11	7,975,000	.1577	11,433,250+
5. Butyl Acetate.....do.....	1105,000,000	.11	11,550,000	.1528	16,044,000+
6. Ethyl Alcohol.....gallons..	19,000,000	.27½	2,475,000	.542	4,878,000+
7. Amyl Acetate.....pounds..	19,000,000	.12½	1,125,000	.17	1,530,000-
Total.....			36,321,429		347,673,021+
PIGMENTS					
1. Basic carbonate white lead...pounds..	1108,520,000	.07½	8,139,000	.08¼	8,952,900+
2. Basic sulfate white lead.....do.....	17,748,000	.06¾	1,179,765	.07¼	1,267,155+
3. Zinc oxide:					
Lead free.....do.....	60,608,000	.06½	3,939,520	.07¼	4,394,080+
Leaded.....do.....	134,944,000	.06	8,096,640	.07½	10,120,800+
4. Lithopone.....do.....	1269,000,000	.0385	10,356,500	.04¼	11,432,500+
5. Titanium dioxide.....do.....	1210,000,000	.14½	30,450,000	.15	31,500,000+
6. Blue lead.....do.....	3,262,000	.06¾	220,185	.07½	244,650+
7. Carbon black.....do.....	450,000	.034	15,300	.036	16,200+
8. Aluminum bronze powder.....do.....	11,530,000	.38	581,400	.40	612,000+
9. Magnesium silicate.....tons..	63,065	15.00	945,975	15.25	961,711+
10. Barytes.....do.....	58,719	25.15	1,476,783	27.65	1,623,580+
Total.....			65,401,068		471,125,666+
PLASTICIZERS					
1. Triphenyl phosphate.....pounds..	359,000	.88	315,920	.31	111,290-
2. Tricresyl phosphate.....do.....	1,695,000	.40½	686,475	.28	474,600-
3. Dibutyl phthalate.....do.....	1,562,000	.19	296,780	.1720	268,664-
4. Diamyl phthalate.....do.....	195,500	.21	41,055	.217	42,424+
Total.....			1,340,230		896,978
RESINS AND FILMOGENS					
1. Manila.....pounds..	13,000,000	.14	420,000	.14½	+435,000
2. Damar.....do.....	120,000,000	.33¾	6,750,000	.35¾	+7,150,000
3. Rosin.....do.....	91,453,740	.0302	2,761,903	.0744	+6,804,158
4. Rosin for ester gum and synthetic resins.....pounds..	113,600,340	.0302	3,430,822	.0744	+8,452,093
5. Alkyd resin.....do.....	124,280,000	.19	23,613,200	.19	-23,613,200
6. Phenolic resins.....do.....	133,421,000	.18	6,015,780	.38	+12,698,980
7. Urea-formaldehyde.....do.....	15,323,000	.27	1,491,210	.26	-1,435,980
8. Maleic anhydride.....do.....	111,570,000	.17	1,906,900	.24	+2,776,800
9. Nitrocellulose.....do.....	166,000,000	.28	18,480,000	.28	-18,480,000
10. Casein.....do.....	5,090,000	.28	1,425,200	.24	-1,221,600
Total.....			66,355,015		83,067,811
Grand total.....			246,650,510		7300,911,014

1 Estimated.
2 27 percent.
3 31 percent.
4 9 percent.
5 33 percent.
6 25 percent.
7 22 percent.

NOTES

Unit values for September 1941 and March 1946 obtained from Oil, Paint, and Drug Reporter.
Unit values are given per pound unless otherwise noted.
Unit values for resin items 5, 6, 7, and 8 obtained from Tariff Commission (average 1944, latest available).

NATIONAL PAINT, VARNISH AND LACQUER ASSOCIATION, INC.,
 Washington 5, D. C., February 27, 1946.

RAW-MATERIAL SURVEY

To Association Members:

The following information with regard to some of the important raw materials of our industry has been furnished to us from authoritative sources and is given to you for your information.

Titanium

Demand for titanium pigments continues to be as great or greater than during the war. Requirements of the Navy for maintenance of the active fleet and for the ships' lay-away program continue to be heavy. The expansion projects of the paint and other pigment-consuming industries are under way; hence we may expect continuance of extremely heavy demand for titanium pigments for a long time to come. Expansion projects in the titanium industry, forbidden during the war, are also in progress; however, it will be the latter part of 1946 or early 1947 before any relief can be expected through increased production.

Zinc oxide, lithopone, and zinc sulfide

The available supply of lead-free zinc oxide made from ore has improved during the past several months, so that there is no difficulty at the present time in taking care of all reasonable demands. Zinc oxide made from metal (French-process type) is in a tight position, and the indications are that it will become more acute in the near future due to the short supply of high-grade slab zinc. The supply of leaded zinc oxide continues to be inadequate to meet all demands from the trade, with no indication of any improvement in the months ahead. The use of lead-free zinc oxide in combination with lead carbonate or lead sulfate is suggested during the shortage of the leaded grades. The situation on lithopone and all zinc-sulfide pigments is extremely acute, and there is no evidence of any improvement in this situation for many months to come. Every effort is being made to distribute present production on a fair and equitable basis.

Lead

The current situation in lead pigments is, if anything, less good than in the recent past. With an already insufficient supply of lead to take care of all demands, strikes of lead miners in Mexico and Utah have added to the shortage. In addition, Europe is taking more lead at higher prices, thus detracting from foreign supplies which entered this country during the war. There has been some slight improvement in the labor supply at domestic lead mines. All this adds up to the possibility of further restrictions by the Government when CPA issues a new lead order to cover the second quarter of 1946. Because of the serious restrictions last year imposed on lead-pigment manufacture, it is hoped that no further curtailment in pigment usage will be necessary.

Tung oil

Domestic crop largest ever produced, approaching 6,000 tons, appears to be about 80 percent sold and one-half to two-thirds already shipped to manufacturers. China market just opening up; some very small quantities have arrived and further small quantities booked to arrive shortly. Further importations are complicated with some difficulties which cannot be immediately overcome. Some 75 percent of the crop is produced in the far interior Provinces of Szechwan and Hunan which in the past has moved down the Yangtze River to Hankow for settling, filtering, and transshipping via lighter down the Yangtze River to Shanghai to be loaded upon ocean steamers for export. Hankow facilities range from partially to totally destroyed, and former Yangtze River shipping facilities not available. It will take some time to rebuild and recover these formerly available facilities. In the meantime, some small quantities are found adjacent to Hong Kong and Shanghai, and efforts are being made to ship in drums. Fantastic prices prevail in Chinese currency, of uncertain exchange value, hampering even this limited opportunity. Some European buying, unlimited by OPA ceilings, established very high values there. Net results will probably be very small quantities arriving for a time, with slowly and gradually improving conditions permitting heavier shipments some time later this year—probably several months hence. China's incentive to ship and our desire to obtain are equally obvious; eventual solution is certain; but an irritating and inconvenient delay confronts us. One factor advises that "cables this week report sales to United Kingdom at a price equivalent in United States currency far above OPA permissible ceiling prices here."

Dehydrated castor oil

The demand for dehydrated castor oil continues to be far in excess of supply due to the absence of wood oil, the near-absence of oiticica oil, and the shortage of linseed oil. Castor-oil producers are having a difficult time to try to satisfy customers for ordinary grades of castor oil for sulfonating, for artificial leather, for brake fluid, and medicinal uses, so can only afford a portion of their output for manufacture into the dehydrated product. Manufacturers were in an uncomfortable position between the sharp rise in prices for Brazilian castor beans, which have been under no controls, and ceiling prices on castor oil and castor pomace. The OPA has just advanced ceiling prices on castor oil $1\frac{1}{4}$ cents, on dehydrated castor oil $1\frac{1}{2}$ cents, and on castor pomace 25 cents per unit of ammonia per ton. This should result in a more assured operation.

Oiticica oil

Old crop is virtually exhausted as to unsold stocks. New crop movement is, unfortunately, some 90 days later than normal owing to unfavorable weather, inadequate transportation, insufficient labor, and, like all other countries, inflated direct and indirect costs. In addition, we must contend with a world-wide shortage competing with us as buyers in disregard of our OPA ceilings. Some very small quantities booked for February shipments from Brazil, with somewhat larger quantities for March-April, and the bulk of the crop movement expected April, May, and June shipments from Brazil.

Fish oil

The current fish-oil situation is very tight, due to the fishing on the Pacific coast this season being the most disastrous they have ever had. Comparative figures show that as of February 3, 1945, there were caught 530,289 tons of fish on the entire Pacific coast, compared with 387,335 tons this year, so that the total production is around 70 percent of normal. This means even less than 70 percent for the paint industry, because the southern California fishing, most of which goes to the vitamin trade, was fairly normal; and if we consider the San Francisco Bay and Monterey areas, we will find that the fishing in these two areas was around 60 percent of last year's production, and last year was not considered a particularly good year. Therefore, obviously, many sales made in good faith cannot be fulfilled because the oil is not there. There is practically no reserve supply on hand in any direction and none that we know of in Government hands. It is hoped that when the new season arrives that his situation will be helped, and most pressers are able to take care of a moderate amount for each customer but not sufficient to meet the increased needs which are apparent in most directions. Even had the fishing season been normal, it is doubtful that there would have been sufficient supplies to meet the needs of all the various industries.

Soybean oil

The soybean-oil situation is very tight, and there seems to be no soybean oil available in any direction except that which has already been contracted for, and many of the crushers are behind in their deliveries. It seems that the farmers are unwilling to part with beans. This is partially due to their belief that the price ceilings will not hold and that they will get more for their crop by holding on to them than by releasing them for processing. This, of course, increases the pressure for higher prices for beans, and it is possible that the situation may become worse before it shows improvement. There seem to be plenty of beans in the country. We have been told of one case where a buyer for a mill in desperation went out with a lot of nylon hose, tire orders, etc., as added incentive to separate some farmers from their beans and came back after a drastic effort without being able to corral a single carload.

The situation on soya meal, a necessary feed protein, is equally tough. In the interim, some of the suppliers having contracts with reliable crushers are able to get some oil. Once the Government's price policies are clarified and fixed, the chances are that this situation will be relieved, but the confusion in other places has affected the supply of soybean oil as well.

Linseed oil

Please note discussion of this in the report of the CPA industry advisory committee meeting held on February 19, 1946, report dated February 20.

Dry colors

Many of the raw materials used in the manufacture of chemical pigment colors are still in very short supply, and the demand for chemical colors of all kinds, both inorganic and organic, exceeds the productive capacity of the country. It

is hard to determine whether this demand entirely reflects current consumption or whether it is partially a question of filling up the "pipe lines," but it does not seem that there are appreciable inventories being built up of any product requiring the use of color, so it would appear that the existing requirements will not ease for many months.

At the present time, yellow iron oxide, which was very tight for a long time, practically all during the war, is now very free, and the supply is more than adequate to take care of current demands.

The situation on chemically pure red oxide, however, is just the reverse, for while this was comparatively easy during the war, it has tightened up considerably during the past several months and the demand continues to grow. This has been brought about by several factors, the chief one, perhaps, being the fact that Government restrictions covering the use of color in rubber have been lifted for a few months past, and there has been a large backlog of business due to the pent-up demand for nonmarking soles and heels. Due to the shortage of white pigments, there is a tendency to concentrate on some of the colored finishes.

The situation on chemically pure brown oxide has also been very critical for the past 6 months, for the reason mentioned in connection with the reds. Also, due to the lack of quality umbers, the demand for the domestic manufactured product has increased.

The situation on black iron oxide is rather tight, but not as bad as on the red and brown.

Inerts

Production of Asbestine is reported behind demand, particularly on the specialty grades. Shortage of experienced mine labor, combined with deferred development, constitute the principal problems in the industry. It is confidently expected these will be overcome as other essential paint materials return to normal supply.

Resins

Phthalic anhydride alkyd resins.—The available supply today is entirely inadequate to meet the tremendous demand. This demand is due in part to a general trend away from oleoresinous varnishes toward alkyds, because of better performance of the latter in many places and also because of the general oil shortage whereby many paint manufacturers are augmenting their normal oil supplies by purchasing oils in the form of alkyd resins. It is also true that a given amount of oil goes further—makes more paint—when used in the form of an alkyd resin. On the raw-material side of the picture, alkyd production has been appreciably curtailed by the shortage of glycerin. Most large glycerin producers have currently cut deliveries by 25 to 50 percent. The shortage of glycerin may continue for at least another 3 to 6 months. Phthalic anhydride, at the moment, is in short supply because of the steel strike. This is also curtailing alkyd production, but it is expected that this particular bottleneck will be only temporary, as it will clear up shortly now that the steel strike is settled. Drying oils in general are in very short supply, with little prospect of relief before the last quarter of the year. The use of soybean oil in alkyd manufacture is limited by quota based on early 1945 operations. In view of the general shortage of drying oils, it is highly improbable that alkyd-resin production will catch up with demand in 1946.

Ester gum and modified phenolics.—Restrictions on the use of rosin have been lifted, and although demand, as a result of this, has increased, requirements are only moderate and stocks are ample at the moment to take care of current demand. However, any increase in demand might result in a shortage because of the critical glycerin situation. A lot will depend upon whether the available glycerin is used in making these resins or diverted for use in other types.

Pure phenolic resins.—These are in fairly good supply with production and raw materials being able to keep up fairly well with a brisk demand.

Modified maleic resins.—The major difficulty in the past has been limited production facilities for maleic anhydride. This condition remains unchanged; however, the glycerin shortage threatens to make this situation somewhat tighter. If the recent removal of rosin-use restrictions appreciably increases the demand for this type of resin, the shortage may become serious.

Kauri gum and red gum.—All Government restrictions have been removed from these grades. Most grades of brown kauri are available, but the white grades remain in short supply. Sufficient quantities of red gum are on hand to meet the demand.

Raw and processed Congo gums.—Congo gum has been removed from all import controls and also from purchase ceilings. The price of Congo gum will now be governed by the maximum import price regulations, effective February 2, but this regulation does not affect the importation of the material. No imports of Congo have been made in recent months due to the unsettled foreign markets. With the revocation of order M-387, the demand for Congo has decreased.

Other natural resins.—None can be offered at the present time.

Solvents

The present critical supply of molasses, chief raw material for industrial alcohol and butyl alcohol, indicates that alcohol derivatives will not be plentiful, though probably adequate supplies to maintain the current rate of consumption will be available. At present it seems certain that a substantial proportion of alcohol requirements will have to be met from high-cost government stocks.

Nitrocellulose

The production of nitrocellulose has been increased, but the supply is curtailed by shortage of containers. This situation is so serious that customers are being actively urged to make prompt return of containers. Orders cannot be filled except as containers are received from customers.

Cellulose acetate

Production is operating at full capacity, but the demand for cellulose acetate far exceeds the supply.

Chlorinated paraffin

Liquid plasticizers and resin are available in quantity for all uses.

Chlorinated rubber

This material continues to be under strict allocation by the Civilian Production Administration.

Chlorinated synthetic rubber

This material is available for all end uses.

Ethyl cellulose

Ethyl cellulose is being produced at full capacity, but orders are running well ahead of production.

Naval stores

Please note discussion of this in the report of the CPA industry advisory committee meeting held on February 19, 1946, report dated February 20.

Containers

See paragraph on containers in letter to the industry dated February 20 reporting the meeting of the CPA paint, varnish, and lacquer industry advisory committee on February 19.

Driers

Naphthenic acid is now available, and there is no difficulty in filling all orders promptly for all naphthenate driers.

Shellac

Due to inability or unwillingness on the part of suppliers in India to ship shellac on the basis of present Calcutta price ceilings, the shellac situation here has become very tight within the past month or so. If United States demand is held down to actual usage rather than speculative hoarding, there should be sufficient stocks in this country, or definitely booked for shipment here, to take care of requirements until the situation in Calcutta is relieved by the arrival of the Bysacki crop during May and June. Aside from speculative buying, demand has been only moderate from several important fields, due to slowness of reconversion, strikes, and the like. Other fields, particularly phonograph records, are showing a very active interest, indicating abnormally large consumption. It is felt that when reconversion gets under way the demand for shellac from all fields will be unusually good. Barring unknown factors, the Bysacki crop should arrive in time and be ample to take care of the increased demand. However, no recession from our present selling prices, which were fixed by OPA regulation ever since Pearl Harbor, is to be expected. If the shellac regulations were relaxed or withdrawn, the price trend would presumably be sharply upward.

Petroleum derivatives

While the over-all supply position on petroleum naphthas and solvents is rather good from a standpoint of production, there have been recent temporary shortages on the east coast due to difficulties in tanker transportation of materials from the Gulf coast. This has been primarily due to the unsettled condition of tankers that are being released from Government service and turned over to private industry. The demand for conventional petroleum naphthas remains high in spite of decreased Government purchases and industry strikes. Toluene consumption is small, and we understand that sales of this product from all sources have been very moderate. Xylene seems to be in a shorter supply position and apparently more of this material could be moved than is presently available.

Sincerely yours,

ERNEST T. TRIGG, *President.*

YORK, PA., *May 10, 1946.*

ROBERT S. WAGNER,
*Chairman, Senate Banking and Currency Committee,
United States Senate, Washington, D. C.:*

Retel 4th, manufacturers of paperboard have been sympathetic with the original objectives of price control and have endeavored to cooperate continuously. However, the elimination of the freeze of labor, with the consequent increase in costs of materials, makes them feel that the elimination of price control at the expiration of the present act, or major changes in the act itself, are now necessary. Decontrol of paperboard will promote the maximum production of the most needed grades and will restore more balanced production and distribution based upon historic patterns.

HENRY D. SCHMIDT,
Chairman, OPA Paperboard Advisory Committee.

SOUTH CAROLINA PEACH GROWERS ASSOCIATION,
Spartanburg, S. C., May 15, 1946.

Senator ROBERT F. WAGNER,
Washington, D. C.

DEAR SIR: Your telegram of May 3 came during my absence from the office, hence the delay in replying.

Because of the highly speculative feature of fruit and vegetable production, the matter of price control on these items has always been a question of hot debate, and most fruit growers have opposed price control. Because so many times they have to sell their crops at prices which show a loss, they feel that when an opportunity presents itself whereby they can make some profit, that they should be permitted to do so.

The industry cooperated with the OPA during the war; but now that the war is over, and one of the largest crops of fruit the country has produced is in prospect, they feel that control should be eliminated. Last year, with price control and ceiling price of \$3.66 per bushel average, peach growers in western South Carolina only averaged \$2.25 per bushel. Yet, on some of the early shipments and better grades, prices higher than ceiling could have been obtained.

I know that the record is full of many arguments of this kind, and I am not preparing this particularly for the record but passing it on to you as the general feeling of the fruit and vegetable people.

We are lots more concerned about the labor situation throughout the country at the present time than price ceilings. We feel that many of our laws are too one-sided, in favor of labor organizations, and I certainly hope our lawmakers will see that some legislation is passed, putting everyone as nearly as possible on an equal basis. The fruit and vegetable industry is particularly interested in seeing the Case bill, with Ball amendments, passed, and we do not feel that it would be unfair to labor or labor organizations that want to do the right thing, and that is what we should all be interested in.

Very truly yours,

TROY CRIBB,
(Feach Industry Advisory Committee.)

SAN FRANCISCO, CALIF., May 9, 1946.

Senator ROBERT F. WAGNER,
Senate Banking and Currency Committee:

Referring to your wire May 3, this committee, under OPA regulations governing its activities, can take action only at meetings called and held pursuant thereto. The time limitation on replies to your committee does not permit holding a meeting to consider your wire. However, the officers of this committee, upon invitation of the Office of Price Administration, attended the meetings called by OPA in Chicago May 3 and 4 for the purpose of discussing decontrols. The aforesaid officers were present at all meetings and were given full opportunity for discussion of all matters. As officers of the OPA petroleum industry advisory committee for district 5, they respectfully refer you to and endorse the joint report to OPA at the Chicago meeting of the National Crude Oil Industry Advisory Committee and the National Refinery Industry Advisory Committee.

G. B. HARGENS,
Chairman (Petroleum Products), OPA Industry Advisory Committee for District PAW No. 5.

AMERICAN CYANAMID Co.,
New York 20, N. Y., May 7, 1946.

Hon. ROBERT F. WAGNER,
*Chairman, Senate Banking and Currency Committee,
 Senate Office Building, Washington, D. C.*

MY DEAR SENATOR WAGNER: I have received your telegram of May 3, 1946, reading as follows:

"Senate Banking and Currency Committee will be pleased to include in its transcript any brief statement you may desire to submit concerning pending legislation to extend price control. Statements must be received on or before Friday, May 10."

As chairman of the Phosphate Rock Industry Advisory Committee of the Office of Price Administration, I submit that the continuance of controls resting in the Office of Price Administration are seriously retarding, disrupting, and strangling enterprise to the detriment of the American people.

It is a paradox that, at the present time, when both labor and materials are available to turn out the goods that people want, these goods are still scarce. Store shelves are still bare, and production lags.

It is a fair question to ask, why our manufacturing production has not been completely converted to the production of consumer goods; why manufacturing plants are not employing the same amount of workers that they did at the peak of production; why the things people want are so slow in coming; why we have a great delay in building homes.

It is submitted that price control has in large measure been responsible for this. Leave industrial management free to adjust prices and wages, and increased wage demands could easily be reconciled without the lengthy strikes that have been so costly to everyone.

Continued high prices or continuous rising prices are not to the best interest of industry. Business and industry, to succeed, must serve the public. This is best done through competition. To have competition we must preserve at all cost an environment in which the little businessman can continue to challenge big business for public favor. Price control should be carried out by consumers. That is the kind of price control that assures that the right things get made in the right quantity. It assures maximum production. It assures jobs and prosperity for all. That is the only kind of price control which will make goods pour into the market. When this happens prices within a reasonable time will adjust themselves naturally—as they always have—in line with the real worth of things. If price controls are removed on manufactured goods, production will step up fast.

Those of us who have given thought to the matter are convinced that if OPA is not continued, prices will be lower on June 30, 1947, than they can be if price controls are continued for another year. It will be just as difficult to terminate OPA on June 30, 1947, as it is today. Why should we hesitate to remove immediately one of the principal hindrances that prevent the flooding of our markets with consumer goods?

Yours very truly,

F. S. WASHBURN,
*Chairman, Phosphate Rock Industry Advisory Committee,
 Office of Price Administration.*

ROCHESTER, N. Y., *May 8, 1946.*

HON. ROBERT F. WAGNER,
*Chairman, Senate Banking and Currency Committee,
 The United States Senate, Washington, D. C.*

Retel the Photographic Equipment Manufacturers OPA Advisory Committee respectfully submits the following statement relative to pending legislation that contemplates the extension of price control. "Continuation of price controls on consumer durable goods in modified and simplified form under a law which will compel expeditious procedures and the prompt finding of fair and just decisions based on a realistic recognition of actual current costs appears justified for a further period of 6 to 9 months; provided, however, that by law OPA be compelled throughout the period of its extended life to forthwith decontrol any industry when production of that industry measured by unit output reaches a rate and level equivalent 20 percent greater than production for the year 1941. During that interim period fair and just pricing can permit full reconversion and the attainment of full production, when the natural forces of competition will eliminate any justification for further consumer durable goods price controls."

Respectfully submitted for the committee.

H. A. SCHUMACHER,
*Chairman, Photographic Equipment Manufacturers
 Industry Advisory Committee.*

NORTH TONAWANDA, N. Y., *May 6, 1946.*

HON. ROBERT F. WAGNER,
*Chairman, Banking and Currency Committee,
 Senate Building, Washington, D. C.*

Replying to your telegram of May 3 position of merchant pig-iron industry was explained to your committee by Mr. Hugh Morrow, April 24, with supporting brief distributed to committee members. Certain of the points therein expressed are summarized below:

1. OPA's insistence on use of 1936-39 base period in processing needed price relief worked crippling handicap on a vital industry for which this period was clearly unrepresentative and unfair and was so recognized by OPA at the outset.
2. Processing of price relief demonstrated as necessary was repeatedly delayed with one lapse of 17 months from date of application, effective date of increase.
3. OPA errors in computing its idealistic forecasts of earnings held industry returns for nearly 18 months and while operating its capacity to 2.7 percent of net worth before taxes. This was substantially below even lowest earning standard established by OPA with no possibility of recovering the resulting deficit.

Net result of OPA pricing methods has been to bring the industries earnings close to vanishing point with incentive to full production thus removed, output has shown a steady decline and shortage of pig iron is now endangering production of castings essential to housing program. Agriculture and food machinery, transportation, home equipment, and other critical lines extension of OPA and other critical lines. Extension of OPA should include amendments which definitely and specifically will eliminate delays in granting adequate price relief in sufficient amount to stimulate needed production. The base-period practice developed within OPA should be revamped and modernized and in order to prevent hardship arising through improper base periods or OPA errors in forecasting a minimum ratio of earnings to net worth should be set at 7 percent before Federal taxes. These recommendations should not be considered as "crippling amendments" but rather as corrective amendments demonstrated by this industry as desperately needed if the civilian program is to be sounded.

B. S. STEVENSON,
President, Tonawanda Iron Corp., Pig Iron Industry Advisory Committee.

BATES MANUFACTURING CO.
Lewiston, Maine, May 7, 1946.

Senator ROBERT F. WAGNER,
*Chairman, Senate Banking and Currency Committee,
 Washington, D. C.*

MY DEAR SENATOR WAGNER: Thank you for your considerate telegram of May 3 received today offering me as chairman of two OPA industry advisory committees the opportunity to make a brief statement.

My sincere and carefully considered recommendation is that all textiles be removed from price control. Price control retards production as a whole and of staple items in particular. A great number of cloth constructions are not being made today because of poor ceiling prices. The substitutes being used, when obtainable, are generally more expensive than the cloths best suited to the purpose. Production follows profit.

If the act is renewed then I strongly urge that OPA be required to tie ceiling prices to the market price of cotton. This may be inflationary but to try to hold down the price of cotton by the price of manufactured goods is strangulation.

If the act is renewed I strongly urge the adoption of the amendment to require the ceiling price to show a profit on every item. Let me give you a quick example of just how important this suggestion is. Mr. Saul Sells of OPA who I believe has been before your committee is thoroughly familiar with this example.

The Hill division of our company for years made corset coutils. Early in 1942 we ceased manufacture of coutils and made twill for Navy uniforms. On September 10, 1945, we conferred personally with Mr. Sells and Mr. Ackley regarding a new ceiling price which would permit us to make coutils again. We were informed that coutils were a minor item and would have to take its turn. We followed the matter up vigorously month after month. Seven months later a new price was issued 35 percent higher. This sounds like a whopping increase but it still left us 5 percent below cost, and we are not making coutils yet and will not until we can make them profitably. We are still making Navy twill but as it now shows a loss we shall probably close this section of the mill.

I could go on and on with more examples of how OPA dislocates and curtails manufacturing. I could tell you how close they came to sinking us with their control on starch required for sizing our warps had we not purchased potatoes, rented factories and made our own starch.

You cannot run our economy with just a little control without producing chaos. You either must have rigid control of materials, wages and prices or no control at all.

Sincerely yours,

H. D. RUHM, Jr., *President,*
Plain Fine Goods—Industry Advisory Committee.

THE EASTERN FOUNDRY COMPANY,
Boyetown, Pa., May 7, 1946.

HON. ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR WAGNER: This will acknowledge receipt of your wire under date of May 3, requesting a brief statement from the writer concerning pending legislation to extend price control.

Briefly, in my opinion the original idea of Government supervision of prices to prevent uncontrolled inflation was a forward step, but as it has been practically applied to date it has not served the purpose for which it was intended by the vast majority of legislators who originally made it a law.

My confidence in both the honesty and ability of the American industrialist and businessman as a whole remains unshaken and the almost dictatorial powers granted to OPA are not only un-American but one of the prime factors in retarding healthy recovery to normal conditions.

Streamline OPA; make it what it should be—an advisory fact-finding and consulting department with readily available powers of unlimited publicity to be used against those who would sabotage the best national interests for unfair personal gains.

Put the control and operation of American business back in the hands of those who were originally responsible for putting it in the position of world leadership.

Continue retaining high taxes to drain off for the public's benefit abnormally high profits accruing to any individual company or industry whose temporary position of relative advantage may allow them to make it and let's all get to work.

Sincerely yours,

THE EASTERN FOUNDRY CO.,
G. L. HARBERGER, *General Sales Manager.*
(Plumbing and Casting Industry Advisory Committee).

ATLANTA, GA., May 9, 1946.

HON. ROBERT F. WAGNER, *Chairman:*

I acknowledge your telegram May 3 inviting me as chairman, Plumbing and Heating Distributors Advisory Committee, OPA, to submit statement concerning pending legislation to extend price control. I am no longer chairman committee. However our industry appreciates opportunity to express its viewpoint and wishes to do so. I have referred your telegram to Mr. Harry G. Starr, chairman, war emergency committee, American Institute Wholesale Plumbing and Heating Supply Associations, 823 Park Square Building, Boston, Mass., who will reply to your invitation.

CHARLES B. WILSON,
*Plumbing and Heating Distributors,
Industry Advisory Committee.*

DANIEL BUCK, INC.,
Philadelphia 34, Pa., May 13, 1946.

ROBERT F. WAGNER,
*Chairman, Senate Banking and Currency Committee,
Washington, D. C.*

DEAR SIR: As a member of the Industry Advisory Committee, OPA, for Plywood, I would like to convey to you our opinion on the matter of continuance or discontinuance of OPA regulation. Personally, I am opposed to continuation of OPA controls of prices on both plywood and lumber. I feel that OPA should be abolished. From observation of the effects of these controls over the past few months, I do not think that the consumers derive any benefits from OPA controls. I believe that the continuation of price controls will eventually cause irreparable harm to the economy of this country. Present OPA rulings are retarding production. The so-called black markets, particularly in the lumber industry, are increasing. Lumber that should reach the markets through regular channels is not being produced by responsible manufacturers. I am informed right now, that many of the responsible southern manufacturers are having great difficulty continuing their operations in the face of competition from the black-market operators. Some mills are faced with the necessity of closing down. They simply cannot compete with the prices the black-market operators can pay for logs, lumber, etc.

This black market flourishes under present regulations. With the elimination of these regulations, the legitimate lumber producer would be in position to continue his lumber manufacturing along legitimate lines. The black-market operator would eventually be forced out of business, for he does not produce satisfactory grades of lumber, and, without controls, he could not possibly compete with the man who does make proper lumber.

The much-needed lumber is not reaching the consumer through legitimate channels and at legitimate OPA ceiling prices. Too much of the lumber is being produced and channeled through other than legitimate methods at other than OPA ceiling prices. Consequently, lumber yards, like our own, do not get lumber to sell. The legitimate lumber distributor and lumber manufacturer pays taxes; in most cases his business has been established for years and he is responsible both to the consumers and to his Government. His business should be protected by the Government and elimination of OPA will serve that purpose.

We do not think that ceiling prices are needed on anything, with the possible exception of rents and foodstuffs. With proper increased production, prices will soon level off on competition.

We respectfully ask your consideration of these important facts.

Respectfully yours,

DANIEL BUCK INC.,
G. W. BATEMAN,
President (Plywood Industry Advisory Committee).

PRUNTY SEED & GRAIN CO.,
St. Louis 2, Mo., May 7, 1946.

MR. ROBERT F. WAGNER,
*Chairman, Senate Banking and Currency Committee,
Washington, D. C.*

DEAR MR. WAGNER: Replying to your wire of May 3, addressed to me as chairman of the OPA Popcorn Industry Advisory Committee.

With reference to the continuance of OPA on commodities in general, we believe as far as rents are concerned, everyone is in favor of the extension of rent controls. We believe, however, that the extension of OPA's authority should be regulated to a great extent to the advice it receives from the various industry advisory committees. In the past 6 months, OPA's desire to "hold the line" has blinded it to the increasing costs that have taken place since the release of wage and salary controls. We believe that practically all industries are anxious for their commodities to reflect only the increased cost of production, and that the various advisory committees will not recommend to OPA prices in excess of the actual increased costs of the products.

Our suggestion is that the advisory committees be given considerably more power or influence in establishing fair prices. Should OPA disregard the advice of the various advisory committees, a quick appeal should be granted the industry to correct unwise and arbitrary decisions made by OPA. In other words, a committee on arbitration of differences should be appointed and its decision be made final and binding on both industry and OPA.

Concerning our particular industry, after contacting various members of the Popcorn Advisory Committee, I wish to report that they all would like to see OPA still regulate prices on popcorn, because of the wet, cold weather we are having in the Middle West, causing some replanting. Until stocks of popcorn are considerably in excess of demand, the conservative element in the industry wants OPA still to regulate the prices on this commodity.

Very truly yours,

FRANCIS H. BARNIDGE,
Chairman, Popcorn Advisory Committee.

PEPPARD SEED CO.,
Kansas City, Mo., May 6, 1946.

Senator ROBERT F. WAGNER,
*Chairman, Senate Banking and Currency Committee,
Senate Office Building, Washington, D. C.*

DEAR SENATOR: I am in receipt of a letter from Francis Barnidge, of the Prunty Seed & Grain Co., of St. Louis, Mo., who is chairman of the Popcorn Industry National Advisory Committee of the OPA, regarding a telegram you sent him on May 3, advising that you, as chairman of the Senate Banking and Currency Committee, would be pleased to include in its transcript, any brief statement submitted concerning legislation to extend price control. Mr. Barnidge wrote me for my opinion, since I am cochairman of the Popcorn Industry National Advisory Committee. Since you desire replies on or before Friday, May 10, I am enclosing a copy of my letter to Mr. Barnidge which is self-explanatory.

I do feel that there are some inequalities that should be corrected and some industries should be allowed higher prices to offset increase in costs. If an industry cannot make a reasonable profit, there is no incentive to produce merchandise. On the other hand, there are many items in which there is sufficient profit to permit production and distribution. In my humble opinion, the trouble with OPA regulations is the slowness with which decisions are made and put into effect.

Obviously, there are many manufacturers and distributors who would like to see price control eliminated so that they could take advantage of the situation and realize large profits. The white-collared man, the laborer, and farmer would suffer the most with inflationary prices.

As an American citizen, I hope you lawmakers can figure out something that will be the best for the largest number. Also that this OPA question will not turn out to be a political football in an effort to gain votes. The elimination of price control might result in another national boom-and-bust situation that followed World War I.

Sincerely yours

WM. E. KUSTER,
Cochairman, Popcorn Industry National Advisory Committee, OPA.

BALTIMORE, Md., May 8, 1946.

Hon. ROBERT F. WAGNER,
*Chairman, Senate Banking and Currency Committee,
Senate Office Building, Washington, D. C.*

MY DEAR SENATOR WAGNER: The Pork Industry Advisory Committee appreciates the opportunity you have extended in your telegram of May 3 to present a

statement for inclusion in the transcript of the proceedings of the Senate Banking and Currency Committee.

The pork industry is immeshed in a web of confusion, uncertainties, unworkable regulations, and violation of ceilings on live hogs and pork products. The resulting dislocation of the marketing of live hogs and processing and distribution of pork products is seriously damaging the whole system of livestock marketing and processing and distribution of pork products developed over many years—a system which is the envy of producers and consuming populations the world over. These undesirable consequences of attempts to control this widespread and vital industry have proceeded to a point impossible of correction by the patchwork of additional regulations. In spite of the best efforts of OPA and the industry to find a solution to these problems (concerning which you have received detailed testimony in recent weeks), the committee is forced to the conclusion that the only answer lies in the immediate termination of the subsidy program and the removal of ceilings on live hogs and pork products.

The committee has no illusion regarding the correction of the present wholly unsatisfactory situation through the medium of the advisory committee. In the clear light of experience the committee knows the Office of Price Administration consultations with this advisory committee are perfunctory. Policies and procedures vital to this industry are developed and decided upon without consultation with the committee. The usual procedure is to announce to the committee what policies and programs have been decided upon and at that time ask for suggestions. The committee's suggestions frequently are found to be either in conflict with already determined and announced policies, or the program is too far advanced to permit change at the late date of "consultation." Such was the case, for example, in connection with the recent reestablishment of slaughter quotas, the announcement of their imposition coming over the radio in a news broadcast, while the advisory committees called by the OPA to consider the program, were in session in Chicago.

The attached letters and statement of the committee are further evidence of the perfunctory status of the Pork Industry Advisory Committee.

Respectfully submitted,

WELLS E. HUNT,
Chairman, Pork Industry Advisory Committee.

RECOMMENDATIONS OF THE PORK INDUSTRY ADVISORY COMMITTEE AT JOINT MEETING OF PORK, BEEF, CATTLE AND HOG ADVISORY COMMITTEES, CHICAGO, ILL., APRIL 15, 1946

OPA has submitted for consideration by its Pork Industry Advisory Committee a proposed plan to reestablish limitations on the numbers of livestock which may be slaughtered by each meat-packing establishment. The stated objective of this plan is to channel more livestock into the hands of legitimate commercial establishments and reduce the numbers now being diverted into the black market.

It is the considered opinion of the Pork Industry Advisory Committee that this plan will not accomplish its purpose, and that it will merely put further burdens and hardships on operators who observe the regulations while doing nothing to check the activities of those who are operating outside the law. The proposal as stated will almost automatically legalize the status of a host of black-market slaughterers already in business, and the wide tolerance and discretionary powers provided assure the granting of quotas to almost every applicant who may wish to enter the business in the future.

Experience of the industry with the previous limitation orders indicate that they are unenforceable and unenforced as other parts of OPS's meat price program. Announcement of a new scheme of this sort will merely delude the public into believing that measures are being taken to curb the black market, whereas, no such effect can be anticipated.

Since the proposal is manifestly inequitable and ineffective on its face, and since suggestions for improving its effectiveness as were offered have been rejected, it is obvious that the plan can only cause further hardship and confusion without accomplishing any good result.

The committee, therefore, emphatically condemns the plan in principle and in detail, and requests that it be abandoned. Furthermore, the committee is of the opinion that the only solution to the problem of widespread black markets and diversion of slaughter out of normal legitimate channels is the immediate removal of subsidies and price control on livestock and meats.

PORK INDUSTRY ADVISORY COMMITTEE,
WELLS E. HUNT, *Chairman.*

OCTOBER 8, 1945.

Mr. CHESTER BOWLES,
Administrator, Office of Price Administration,
Washington 25, D. C.

DEAR MR. BOWLES: On the strength of persistent rumors which have since been confirmed as fact, the chairman of your Pork Industry Advisory Committee sent the following telegram last Friday to Mr. Arval Erikson, price executive of the Meats, Fish, Fats, and Oil Branch.

"Information reaching members of Pork Industry Advisory Committee indicates OPA intends to raise hog ceiling prices at certain markets. This move is vitally important to pork industry and should have been discussed with Pork Industry Advisory Committee at meeting on September 26, if price increases on hogs are contemplated at this time. The committee has no information regarding the nature and amount of contemplated increases in hog prices, but is on record to the effect that existing OPA price and other regulations on hogs and pork do not meet the requirements of the Price Control and Stabilization Acts."

In the face of a situation which has existed over so long a period, it is surprising to say the least that an adjustment as important to the pork industry as the one announced Friday should not be discussed with your Pork Industry Advisory Committee. There certainly was ample opportunity for discussion. In fact, at the meeting of the advisory committee on September 26, in response to specific inquiry by the chairman, the price executive and other members of the staff stated that OPA had no matters to discuss with the committee and that no actions of any significance to the industry were contemplated. For your information, the committee at its meeting on September 26 went specifically on record regarding the minimum amount of adjustment in pork realizations necessary, in its opinion, to meet the minimum standards of the Price Control and Stabilization Acts. Increasing the cost of hogs of course necessitates a corresponding increase in the amount necessary to meet the minimum standards above referred to.

Members of the committee will be much interested in your reasons for avoiding discussion of such an important matter with the advisory committee, as all members of the committee are quite concerned over the incident.

Very truly yours,

WELLS E. HUNT,
Chairman, Pork Industry Advisory Committee.

OFFICE OF PRICE ADMINISTRATION,
 OFFICE OF THE ADMINISTRATOR,
Washington 25, D. C., September 24, 1945.

Mr. WELLS E. HUNT,
Chairman, Pork Industry Advisory Committee,
Care of the Wm. Schluderg-T. J. Kurdle Co., Baltimore 3, Md.

DEAR MR. HUNT: It has been brought to my attention that you wish to call a meeting of the Pork Industry Advisory Committee to be held in Washington, D. C., on September 26, 1945. You state that "because of the urgency of the matters confronting the industry and the fact that a requested meeting on the same subjects called for February was postponed at the request of OPA, and that there has been no meeting of the committee with OPA since December," you request a waiver of the 10-day notice requirement of section 12 (c) of Revised Procedural Regulation 13.

As no sound reason can be given for refusing this request, I am hereby waiving the requirements of this section for the meeting scheduled for September 26, 1945, so that we may receive committee recommendations without prejudice.

Sincerely,

CHESTER BOWLES, *Administrator.*

CHICAGO, ILL., May 6, 1946.

HON. ROBERT F. WAGNER,
Chairman, The Senate Banking and Currency Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR WAGNER: Thank you for extending to me the privilege of submitting to your committee a statement concerning legislation to extend price control. As chairman of the Poultry Industry Advisory Committee to OPA, I will confine my remarks to poultry only.

After careful study of all phases of the current and prospective poultry situation, it is my considered judgment that poultry should be removed from price control

immediately. I believe this action would be in the best interests of consumers and all legitimate branches of the industry.

In the first place, the quantity of poultry now being carried in storage is at an unprecedented high level and, according to the United States Department of Agriculture, warehouse stocks of poultry as of April 1 were 316,166,000 pounds. This was almost double the amount ever before held in storage at this time of the year in the history of this country, and there is every reason to expect that storage stocks of poultry will continue at record levels for many months. These storage stocks, together with current production, make per capita poultry supplies far above prewar levels and far above any concept of normal.

With this unusually large supply of poultry, price controls could be removed without any danger of a sharp price advance to consumers. There are more than 100 classes and grades of poultry, each of which normally varies in price, one with another, according to the relative supply and demand. At the present time, many of these items which are available in large quantities are selling well below ceilings. Other items just now in relatively short supply, are at the ceiling and in most instances in the black market. In view of the current and prospective supply situation, the prices for poultry items now in the black market would be more than offset by the relatively low prices of poultry items in plentiful supply, if ceilings were removed.

It is characteristic of the poultry industry that in every season of the year certain items which are temporarily in short supply sell at a premium. To adhere to a policy of keeping poultry under price control until all kinds, classes, and grades are selling under ceilings would insure perpetuation of controls.

Another reason for removing price controls on poultry immediately, equal in importance to the supply situation, is that these price controls are now mere fiction. The bulk of the poultry items for which the demand now exceeds the supply at ceiling prices is selling in the black market. There is almost complete lack of enforcement. The price regulations on short items are being violated on a wholesale basis without apparent compunction or fear of punishment.

Even a superficial investigation would readily disclose that, since the inception of OPA controls, many small operators are, and have been handling many times as much poultry weekly as prewar. Moreover, many people who were not in the poultry business prior to the war are now large and prosperous operators.

The elimination of price controls on poultry would (1) eliminate the black market, (2) restore the poultry business to normal, efficient processing and distribution channels, (3) bring about a much more equitable distribution of poultry supplies, (4) result in a more uniform level of prices in all communities, and (5) make our large supply of poultry available to everyone at a reasonable, competitive price.

Yours respectfully,

C. L. SIMMONS,
Chairman, Poultry Industry Advisory Committee.

AMERICAN HOUSES, INC.
New York 22, N. Y., May 6, 1946.

HON. ROBERT F. WAGNER,
*Chairman, Senate Banking and Currency Committee,
United States Senate, Washington, D. C.*

DEAR SENATOR WAGNER: Mr. James L. Pease, chairman of the Industry Advisory Committee, OPA, for the Prefabricated Housing Industry, has become a member of the staff of the National Housing Administration. Because of his Government association, he has sent me, as vice chairman of the committee, your telegram of May 3.

Time does not permit the writer to contact the other members of the committee. While the following expression of opinion is his own, he believes that it represents the feeling of most of the others.

Our industry in general believes in price control to prevent run-away inflation until production becomes more nearly normal, provided those administering price control set up prices which encourage production. This has not been generally true to date.

If \$3 is a fair price for a given product, then a price of \$3.10 or \$3.15 would certainly encourage production and would no doubt lead to a supply so great that prices below \$3 would before long be the order of the day. Such would be a realistic pricing for production. The need for price control would in time disappear.

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 2139

If, as has been true in many instances, this product is priced at \$2.85 or \$2.90, the result is an urge to evade and produce for the black market at a price, in many instances, as high as \$4 or \$5.

Whether price control should be extended or not depends on the way it is administered. The continuation of the attempt to squeeze out profits through low pricing, discourages production, encourages black markets and results in prices beyond those which would exist if controls were removed.

Very truly yours,

J. C. TAYLOR, Jr.,
President (Chairman, Prefabricated Homes, Industry Advisory Committee).

RIEDEL PAPER CORP.,
New York 17, N. Y., May 8, 1946.

The Honorable ROBERT F. WAGNER,
*Chairman, Senate Committee on Banking and Currency,
 United States Senate, Washington, D. C.*

DEAR SIR: This letter is in response to your telegram of May 3, received May 6, addressed to me as chairman of the OPA Over-all Industry Advisory Committee for the Pulp and Paper Industry, inviting me to submit to your committee by May 10 the views of my committee respecting an extension of the Emergency Price Control Act. Due to the time element involved, it has been impossible for me to convene the Over-all Industry Advisory Committee and obtain the views of its members. All I can do is express my personal opinion.

I am convinced that the only preventive of inflation is production. Production, in turn, must be channeled to the output of low-end items. Otherwise, consumers are forced to purchase high-priced articles which they do not want, in lieu of moderate-priced articles which they require.

In its administration of the Emergency Price Control Act, it is my opinion that OPA has ignored this vital factor of production and by its pricing policies has intensified grade-shifting. To effect a reversal of this trend, I believe that certain amendments are essential. They are:

(1) Each commodity should be priced at a point which will enable the manufacturer to secure his costs and a profit which is reasonable and realistic under today's conditions.

(2) Each grade of a product should be considered as a separate commodity in determining the maximum price and any adjustment thereof.

(3) When production in an industry or any segment thereof equals or approximates prewar peak production, price control should be suspended.

The production record of the United States paper and paperboard industries (as shown in the table below) is unique in that output increased substantially during the war, maintaining a very high rate throughout, and has shown still further increase since the end of the war. The industry has been running well over 100 percent of its rated capacity.

United States paper and paperboard production 1936-45, first 3 months 1946, and projected 1946

	<i>Short tons</i>		<i>Short tons</i>
1936.....	11, 975, 552	1942.....	17, 083, 862
1937.....	12, 837, 003	1943.....	17, 035, 688
1938.....	11, 380, 814	1944.....	17, 182, 804
1939.....	13, 509, 642	1945.....	17, 374, 208
1940.....	14, 483, 709	1946 (first 3 months).....	4, 573, 702
1941.....	17, 762, 365	1946 (projected).....	18, 294, 608

Source: Bureau of the Census, U. S. Department of Commerce.

With that situation, it is vital that each type and grade of its products be fairly priced, or the mills can easily shift from items sold at a loss or a small profit, to those which will yield fair profit. This is the reason why (1) and (2) above are so important to this industry.

The difficulty of fair pricing on each of thousands of items in this industry, and the very high production records, make decontrol the practical solution of the problem at a relatively early date.

If the amendments to the Price Control Act suggested above were to be adopted, I believe it would result in an over-all reduction of prices to the consumer, after a relatively brief adjustment period, through an increased production of low-end items.

Very truly yours,

JOHN L. RIEGEL,
*Chairman, Over-all OPA Advisory Committee
for Pulp, Paper and Paper Products.*

SAMUEL M. LANGSTON CO.,
Camden, N. J., May 9, 1946.

HON. ROBERT F. WAGNER,
*Chairman, Senate Banking and Currency Committee,
Senate Office Building, Washington, D. C.*

DEAR SIR: In response to your wire, I am glad to submit a statement in connection with proposed extension of price control, and appreciate the opportunity to do so.

I feel that capital goods should be decontrolled, and control only extended sufficiently in connection with consumer goods to provide a check on cost-of-living items for a further period of 9 months.

The industry group in which our company is included is the pulp, paper, and paper products machinery and equipment manufacturers. This group filed a brief and supplementary statement requesting exemption from price control, the facts and arguments in which support the position I have taken in this letter, and I am enclosing copies.

It is significant that OPA admitted the soundness of the arguments presented, but in spite of that fact, only suspended control on part of the products made by this industry group. How the limited group of products decontrolled was selected is still inexplicable, as there are no factors involved which would be a logical basis for the action.

Respectfully submitted.

L. J. LIST,
*Chairman, Pulp, Paper, and Paper Products Machinery and Equipment
Manufacturers, Industry Advisory Committee of the OPA.*

TO THE ADMINISTRATOR OF THE OFFICE OF PRICE ADMINISTRATION:

REQUEST FOR EXEMPTION FROM PRICE CONTROL FOR PULP,
PAPER, AND PAPER-MAKING MACHINERY AND EQUIPMENT

SUPPLEMENTARY STATEMENT

Submitted by The Industry Advisory Committee: L. J. List, *Chairman*, Lester M. Start, J. Henry Richmond, J. E. Waterhouse, H. C. Moore, Homer D. Martindale, Edgar A. Smithe, Samuel J. Campbell, H. D. Wells, Walter Abbe, Jr. Posner, Fox, Arent & Freidberg, *Counsel*.

On October 24, 1945, a brief was submitted to the Administrator of the Office of Price Administration in support of the recommendation by the Industry Advisory Committee that paper products machinery be exempted from price control. On January 8, 1946, a subcommittee conferred with officials of the Office of Price Administration concerning the disposition of its recommendation. The subcommittee was informed that the brief did not present sufficient evidence to enable the Administrator to find that exemption from control "presents no threat of diversion of materials, facilities, or manpower from production which is essential to the effective transition to a peacetime economy, or will impair effective price control with respect to other commodities."

Thereupon the Industry Advisory Committee requested an opportunity to submit this supplementary statement and evidence in further support of the recommendation for price decontrol.

A. THERE WILL BE NO SUBSTANTIAL DIVERSION OF CRITICAL MATERIALS

The extremely small size of the industry, without more, should be sufficient evidence that there will be no substantial diversion of critical materials from

production essential to conversion to a peacetime economy. In 1939 sales of paper products machinery totaled only \$32,000,000.¹ Of this total, wages and salaries accounted for \$12,990,332 and raw materials only \$12,141,188. Thus, even if production *doubled* as a result of price exemption, the total raw materials consumed by the industry would be negligible.

Moreover, the industry produces a very substantial portion of its own needs, particularly in the case of grey iron castings, one of the materials which is presently a bottleneck item in other industries. Grey iron castings represent approximately 30 percent of the total raw materials used in the industry. It is estimated that in 1939 the industry consumed 25,000 tons of iron castings. As against this consumption in 1939, it is estimated that there is an annual production capacity substantially in excess of 100,000 tons.²

Various other materials such as brass and bronze castings, gears, etc., are also produced by members of the industry in partial supply of their requirements, although not to the same extent as grey iron castings. Some metals, such as aluminum, stainless steel, and non-ferrous metals, are in easy supply and can cause no shortage for other industries.³

Some steel and lumber is used by the industry, but the amounts involved are very small. The situation may be summed up in the exact language used by the Price Administrator in reference to the recent price suspension of toys and games:

"The position of the industry as a potential purchaser of steel, lumber, and other raw materials, together with the adequacies of existing controls on those raw materials, makes it very unlikely that manufacturers of toys and games will be able to bid raw materials away from manufacturers of products whose prices are kept under control."⁴

One further consideration should be accorded great weight in connection with the diversion of materials needed in the reconversion to a peacetime economy. Paper and paper products (such as kleenex, towels, envelopes, paper bags and a multitude of other items) are prominent in every list of scarce items. The diversion of some less critical materials to alleviate the shortage of paper and paper products will help speed the transition to a peacetime economy.

B. THERE WILL BE NO DIVERSION OF MANPOWER

In 1939 the paper products machinery industry employed, on the average, 5,409 wage earners and 1,206 salaried employees. These employees were distributed among 99 establishments, in 18 different states. Thus the average employment was 73 workers (wage earners and salaried employees combined) per establishment. If employment doubled, or trebled in a program to produce badly needed equipment for paper and pulp mills and machines for paper converters, there would be no perceptible effect on the labor supply of the various communities in which the establishments are located. Furthermore, it should be noted that the industry expanded greatly during the war period and has a large reservoir of trained employees on which to draw for expanded civilian production.

The United States Employment Service on January 26, 1946, announced that only in Washington, D. C., Hampton Roads and Richmond, Virginia, and Peoria, Illinois, is the manpower supply inadequate for present needs. None of the members of the paper products machinery industry are located in these four cities.

Members of the Industry Advisory Committee report that a number of former employees are now returning from military service seeking reinstatement, and that in most cases, it is difficult to find places immediately for these men at present levels of production.

It may be categorically stated that there is no threat of diversion of manpower from other industries. On the contrary, there is a grave threat that under present conditions this industry will not be able to provide employment for the workers to whom it gave jobs in the war years and in the prewar period. In many cases these establishments are in small communities where there are few alternative jobs, and reduced employment in the industry will mean idleness and need for relief for workers.

¹ Census of Manufacturers, 1939, Special Industry Machinery, p. 11.

² Estimated annual maximum capacity of nine large companies that operate their own foundries is 198,300 tons. Thus even at a 50% level these nine companies alone can produce twice the 1939 consumption of the entire industry.

³ See Statement by Chester Bowles, December 26, 1945.

⁴ "Since VJ-Day, we've experimented with removal of controls on a good many items. In some cases our judgment was sound. Ingot and pig aluminum, for example, were suspended from control more than three months ago. They are still selling at the old ceilings. Other non-ferrous metals released from control are selling below former ceilings. This is an industry where capacity was extended during the war to a point it could satisfy any conceivable demand."

⁵ Statement of Considerations accompany Amendment 14 to S. O. 126, January 23, 1946.

It is reported that in certain consumer goods industries recently exempted from price control, there was a vigorous bidding for labor which drew workers from neighboring establishments to the detriment of essential peacetime activities. Careful analysis of such instances will disclose factors entirely different from the conditions of stability which characterize the paper products machinery industry. In the case of costume jewelry, for example, there is almost no direct contact by the manufacturer with the ultimate consumer. Nor is there any relationship between intrinsic value and sales price of the products. Furthermore, the typical establishment is very small⁵ and has relatively low capital investment to value of product.

In contrast, the paper products machinery industry, although small, is mature. As was pointed out in the original brief, many of the companies have been established for a century or more. A particularly close relationship exists between members of the industry and their customers. The purchase of large, expensive, complex and individually designed machinery requires a high degree of cooperation and mutual trust on the part of both buyer and seller. This condition constitutes a powerful limiting factor to unwarranted price increases, if price exemption is granted, since the paper products machinery manufacturers will not risk the destruction of this relationship for temporary monetary advantage.

Wage rates are already high because of the relatively skilled workers utilized. The industry cannot afford to prejudice its relations with these employees by irresponsible increases now to take advantage of a temporary situation, followed later by wage decreases.

C. PAPER PRODUCTS MACHINERY SHOULD BE EXEMPTED FROM PRICE CONTROL AT ONCE

(An Experiment by the Office of Price Administration and a Challenge to the Industry)

The Brief submitted by the Industry Advisory Committee on October 24, 1945, sets forth various cogent reasons in support of its recommendation for immediate price decontrol. There has been no dispute as to the validity of these reasons, nor as to the accuracy and adequacy of the supporting evidence.

In addition, a substantial number of letters have been submitted from customers of the industry stating unequivocally that an increase in the price of paper products machinery will not result in an increase in their cost of doing business. These letters are from the largest, and most responsible leaders in the various industries which use paper products machinery. They corroborate the basic premise of this brief—that immediate production of capital goods and equipment at this time is the best method of combatting inflation; that with this new and efficient machinery, consumer goods producers will manufacture more paper, more napkins, more kleenex, more bags, more folding boxes, more cartons—more paper products of every kind—faster, better, and cheaper than is now possible. (See excerpts from customers' letters in Exhibit D of the original brief.)⁶

(A photostat of the advertisement will be filed with this supplemental brief.)

An analysis of the statements of considerations accompanying various recent price suspension and exemption orders demonstrates beyond question that this industry is qualified for immediate price decontrol. In fact, it presents in every respect a more affirmative case for exemption under the criteria of Directive 68

⁵ The costume jewelry industry in 1939 consisted of 289 establishments with 10,808 employees. 106 establishments had 6-20 wage earners, and 89 had 5 or fewer employees each. (Census of Manufacturers 1939, Vol. 1, pp. 26 and 129.)

⁶ This simple economic principle is very effectively stated in a recent advertisement of the Warner and Swasey Machine Tool Company which appeared in Time Magazine January 28, 1946. The Text reads as follows:

"For the good of workmen and everyone else, there needs to be less talk about making jobs and more about making goods.

"Let's say I make coats (one a day) and you make shoes (one pair a day) and we trade. But if I decide to limit my production to half a coat a day to make my job last longer or to give a job to an assistant, and still demand the same pay for a day's work, you will have to work not one day but 2, to buy one of my coats.

"You and other shoe makers are not going to pay the price—you'll make your present coats last longer—and soon both my assistant and I will be out of a job; you won't have the coat you wanted; everyone will be worse off.

"If, on the other hand, I get machinery to help me make 2 coats a day I could reduce the price of my coats and still have more for myself. I could trade my coats for more and better shoes and other things, more people would buy my coats and soon I would have to add an assistant to take care of the demand. The history of the automobile, refrigerator, radio, and a score of other industries proves that this is exactly what happens. When you make goods and do it efficiently, you make jobs. And it is the only way it has ever been done."

than any of the industries recently exempted.⁷ Failure of the Administrator to take the action recommended by this Industry Advisory Committee can be explained only on psychological grounds—possibly the belief that exemption of this industry will make it difficult to deny similar action for other capital goods industries.

The industry advisory committee has reviewed its original recommendation, the brief in support of that recommendation, and the developments since August 24, 1945, when it unanimously advised the Administrator to exempt the products of the industry from price control. The committee once more earnestly renews its recommendation, despite the serious curtailment of raw materials and industrial production caused by strikes.

The committee respectfully suggests that this industry presents an excellent basis for good faith experimentation by the Administrator in price decontrol. The small size of the industry, both in number of establishments, and in dollar volume, will permit careful study of the effects of decontrol as to price increases and as to production increases, as well as any diversion of materials and manpower. The experience in this compact segment of the capital-goods industry will quickly be a valuable guide for appraising other segments. If the result is unfavorable, it can be corrected quickly and without serious danger to the stabilization program.

The Washington Post on February 2, 1946, commented editorially on price control and urged its continuance as the only means by which inflation can be avoided. It continued:

"This is not to say, however, that price control should be absolute, rigid, and inflexible. There may be special situations in which a price increase can be justified as a stimulus to production. And insofar as it serves to overcome scarcity, rather than to facilitate capitalization of it, a cautious lifting of the lid may be sound strategy. Price control is most effective when it is resilient. It must promote production, not stifle it, or freeze out the producers."

Immediate exemption of this capital-goods industry on a frankly experimental basis will give notice to the American people that the OPA is ready to drop controls wherever it can safely do so without endangering the entire stabilization program. At the same time, such action will challenge this industry to produce vitally needed machinery to the utmost and to exercise judgment and equity in its price practices.

Respectfully submitted.

L. J. LIST, *Chairman.*

Counsel:

POSNER, FOX, ARENT & FREIDBERG, 261 Constitution Ave., Washington, D. C.

FEBRUARY 6, 1946.

EXHIBIT A

ANALYSIS OF INDUSTRIES RECENTLY EXEMPTED OR SUSPENDED FROM PRICE CONTROL

Several industries have been recently exempted or suspended from price control which are substantially larger than the paper and paper products machinery industry, and which use considerably larger quantities of labor, manpower, and raw materials. In the statement of considerations accompanying these exemption orders, the Administration has stated that decontrol will not cause a diversion of either manpower or materials.

1. The toys and games industry,¹ for example, employs more than 3 times as many persons as the paper and paper products machinery industry, uses materials and labor to the extent of \$63,000,000 and manufacturers products valued in excess of \$67,000,000.² It should also be noted that this industry is a large user of metals.

2. The thread industry, also recently exempted³ from price control has a total sales volume of \$98,000,000, employs approximately 15,000 people, and uses materials and labor totaling \$40,000,000 annually.

3. Narrow tapes have been exempted from price control.⁴ This industry is also substantially larger than the paper and paper products machinery industry. It has a total sales volume of approximately \$50,000,000 and employs 15,000 persons.⁵

¹ See Exhibit Attached.

² Amendment 14 to S. O. 126, January 23, 1946.

³ 1939 Census of Manufacturers.

⁴ Statement of Considerations Accompanying Amendment 10 to S. O. 126, December 4, 1945.

⁵ Amendment 5 to S. O. 126, October 18, 1945.

⁶ 1939 Census of Manufacturers. Statement of Considerations Accompanying Amendment 5 to S. O. 126 lists the size of the industry at \$29,000,000. The larger figures quoted above include elastic fabrics which are not exempt.

As in the case of the toys and games industry which uses metals as a basic raw material, the thread and tape industry uses cotton textile products which are currently even more critically in short supply than metal. The Civilian Production Administration has relaxed few controls over textiles and present indications are that additional controls will be imposed.

TO THE ADMINISTRATOR OF THE OFFICE OF PRICE ADMINISTRATION

REQUEST FOR EXEMPTION FROM PRICE CONTROL FOR PULP,
PAPER, AND PAPER MAKING MACHINERY AND EQUIPMENT

Submitted by The Industry Advisory Committee: L. J. List, *Chairman*, Lester M. Start, J. Henry Richmond, J. E. Waterhouse, H. C. Moore, Homer D. Martindale, Edgar A. Smithe, Samuel J. Campbell, H. D. Wells, Walter Abbe, Jr., Posner, Fox & Arent, *Counsel*.

I. PURPOSE OF THIS BRIEF

On August 24, 1945, the OPA Industry Advisory Committee for the pulp, paper and paper products machinery and equipment industry¹ unanimously recommended to the Administrator of the Office of Price Administration the exemption of the products of the industry from price control. This brief presents facts and arguments in support of that request.

II. GOVERNING POLICIES

A. *Executive Order 9599*

The following basic principles of demobilization of wartime controls were succinctly announced by President Truman in Executive Order No. 9599 on August 18, 1945:

"The guiding policies of all departments and agencies of the government concerned with the problems arising out of the transmission from war to peace shall be—to move as rapidly as possible without endangering the stability of the economy toward the removal of price, wage, production and other controls and toward the restoration of collective bargaining and the free market."

B. *Policy of the Office of Price Administration*

In a letter dated July 16, 1945, appearing in the New York Times, Administrator Bowles stated:

"* * * We must drop controls just as rapidly as we can, and let me say right here with emphasis that there is no group which is quite so anxious to drop them as we in OPA are.

"As our peacetime production is stepped up, supplies will gradually come in balance with demand, first in one field, then another. As quickly as that occurs price controls in that area will be eliminated * * *."

C. *Directive No. 68 of the Office of Economic Stabilization*

The Director of Economic Stabilization has authorized the Price Administrator to suspend price control or to exempt various commodities from price control in accordance with the following criteria in Directive No. 68.

Section 2: The Price Administrator is authorized to suspend price control with respect to any commodity or transaction, or in his discretion to exempt the commodity or transaction from price control, in the following classes of cases not falling within section 1 of this directive:

(a) In the case of any commodity if in the judgment of the Price Administrator:

(1) The commodity does not enter significantly into the cost of living or into business costs; and

(2) Control of the commodity involves administrative difficulties which are disproportionate in relation to the effectiveness of the control or the contribution to stabilization; and

(3) Suspension of control with respect to the commodity, or exemption from control, presents no threat of diversion of materials, facilities or manpower from war production or any substantial diversion from the production

¹ In the interests of brevity the phrase "paper products machinery" will be used throughout the brief instead of "pulp, paper, and paper products machinery and equipment."

of other commodities and does not impair effective price control with respect to other commodities.

The application of the governing policies of price decontrol as well as compliance with specified criteria requisite for price exemption are hereafter discussed.²

III. DESCRIPTION OF THE PAPER PRODUCTS MACHINERY INDUSTRY

The paper products machinery industry embraces establishments engaged in the manufacture of pulp, paper, and paperboard machinery; envelope, paper bag, paperboard shipping containers, wall paper, and toilet paper machinery; and equipment to manufacture other converted paper products. The industry consists of 99 companies. Its total sales volume in 1939 totaled \$32,419,924.

In contrast to the small size of the industry, its customers produce annually, with the machinery manufactured by this industry, a gross product valued in excess of two billion dollars.³ The total value of paper products machinery was approximately 1.5% of the total value of paper products produced in that year.

Although small, the industry is mature. Many of the firms have been established for a century or more. A particularly close relationship exists between members of the industry and their customers. The purchase of large, expensive, complex and individually designed machinery requires a high degree of cooperation, and mutual trust on the part of both buyer and seller. This condition constitutes a powerful limiting factor to unwarranted price increases, if price exemption is granted, since the paper products machinery manufacturers will not risk the destruction of this relationship for temporary monetary advantage.

The industry's product varies from equipment built entirely to customer specifications to completely standardized models. The substantial majority is custom built, however. Ninety-eight per cent of the industry builds some custom built machines.⁴ Sixty-five per cent of the industry devotes 50% or more of its production to custom built machinery. Twenty per cent of the industry produces 90% or more machinery completely to customer specifications.⁵

The custom built machinery produced by the industry requires involved engineering and design preliminaries. For example, one firm in this industry completed a machine in 1941 which was 255 feet long, weighed 2,350,000 pounds, required 43 railroad cars to transport it to its destination for installation, cost in excess of \$200,000 and required more than a year to build. Other machines have been constructed at a cost of nearly a million dollars.

Even in the production of standard items, mass production methods and assembly line techniques are inapplicable. The total number of units produced in a year is so small that each machine, even though a standard model, constitutes an individual project. One of the largest companies in the industry producing custom built machines predominantly, turned out a total of 17 machines in six years. At the other extreme, another large company averaged only 125 machines per year, consisting of both custom built and standard items.

The handicraft nature of the paper products machinery industry is strikingly shown by the fact that wages and salaries constitute 40.6% of total sales.⁶ This is approximately double the ratio for such mass production industries as automobiles, where wages and salaries constitute only 20% of sales. (1939 Census of Manufactures.)

IV. REASONS FOR EXEMPTING INDUSTRY'S PRODUCTS FROM PRICE CONTROL

A. Industry's Products Do Not Significantly Affect the Cost of Living or Business Costs

1. *Capital Goods Do Not Affect Cost of Living.*—It is imperative for intelligent formulation of any program of price decontrol to recognize at the very outset the radical difference which exists between capital goods and consumer goods. An increase of one cent in the price of a loaf of bread, or a quart of milk, or in the subway fare, is felt immediately in the households of millions of American families. The prevention of such increases is the keystone of the entire stabilization program.

² Answers to the six questions constituting "minimum basic data" required by the OPA are set out in Exhibit A.

³ 1939 Census of Manufactures. (This is the latest available census.)

⁴ See Table A, page 15.

⁵ All statistics used in this brief concerning the industry were compiled from data obtained from detailed questionnaires sent to all industry members. See Exhibit B.

⁶ In some instances labor costs exceed 60% of total sales.

On the other hand, the National Biscuit Company may purchase bundling machines⁷ for many thousands of dollars, and the Pennsylvania Railroad may electrify its lines from Washington to New York at an expenditure of one hundred million dollars without any price effect on the ultimate consumer. In fact, such expenditures often result in lowered prices to the consumer because of increased efficiencies.

Another illustration is the case of a new type napkin folder produced by the paper products machinery industry which turns out 2100 napkins per minute. In accordance with general practice in the paper converting industry, it may be assumed that such a machine will operate 16 hours per day, 300 days per year. The life of such equipment varies from 10 to 25 years. Assuming a minimum life of 10 years, a hypothetical increase of as much as 40% in the cost of such a machine would result in an increase in the cost of a package of 100 napkins amounting to only \$.000046. This means a nincrease on one cent in the cost of producing 25,000 napkins, assuming that all other factors remain constant.

A further important fact is that most napkin folders in present operation fold only 500 napkins per minute. It is obvious that the labor and other savings incident to the substitution of the new machine will result in an actual decrease in the cost of folding napkins. Because of the ratio of productivity in this case it is obvious that the price of the machine is unimportant when measured by the increased production it will achieve.

An increase in the cost of a consumer item, whether perishable such as food or clothing, or relatively durable such as an automobile or a radio, directly affects the cost of living and contributes to inflation. However, an increase in the cost of a capital goods item is irrelevant to the cost of living. For purposes of decontrol the basic question should be: What effect does the cost of a particular machine have on the cost of producing consumer goods.

The foregoing economic principles, in effect, constitute the basis for exempting all capital goods from price control. It is not the function of this brief, however, to support such a proposal. There may be sound reasons, psychological or otherwise, which do not permit such broad action at this time. Rather, it is the purpose of this brief to present facts and special circumstances in connection with paper products machinery which make immediate decontrol of these products appropriate and desirable within the present program of the Price Administrator.

2. *Industry is Small.*—Inasmuch as the total sales of paper products machinery was only \$32,000,000 or approximately 1.5% of the total volume of all paper products produced for ultimate consumption (\$2,019,000,000) in a single year, it is patent that it does not enter significantly into the cost of doing business.

3. *Industry's Products are "Long Lived".*—Paper products machinery remains in operation for a long period before replacements are necessary. Internal Revenue Schedules indicate that this machinery may be depreciated from 15-28 years.⁸ Therefore even a substantial increase in original cost would constitute only a negligible increase in annual cost.

4. *Efficiency of New Machinery Will Reduce Production Costs.*—The tremendously increased efficiency of the industry's new models over obsolescent machinery currently in operation provides further assurances that price exemption of the industry's products will not increase its customers' cost of doing business.

⁷ "New Wrappings 'Revolutionary'—New wrapping materials and improved machine methods of wrapping and sealing will permit the bundling of hundreds of products now packaged in heavy cardboard cartons and 'literally revolutionize many types of merchandising,' it was announced here yesterday by George A. Mohlman, president of Package Machinery Company. Bundling machines which automatically wrap and seal dozens of cracker boxes, or 100 or more cartons of dental and face creams, already are used to package such materials as coal blocks, magazines and books, Mr. Mohlman revealed." (New York Sun, September 21, 1945.)

⁸ The composite lives for the machinery and equipment account ordinarily considered applicable in this industry are as follows:

	Years
Pulp machinery and equipment:	
Ground wood.....	22
Sulphite.....	20
Sulphate or Kraft.....	17
Soda.....	20
Rag.....	28
Paper Machinery and equipment:	
Fine-ledgers, writings, bonds, tissues, etc.....	28
Coarse-wrappings, boxboards, roofings.....	22
Book, magazine, mimeograph, blotting, and specialties.....	22
Newsprint.....	18
Cartons and containers—	
Paper mill machinery and equipment.....	22
Converting mill machinery and equipment.....	15
Paper bags—	
Paper mill machinery and equipment.....	22
Converting mill machinery and equipment.....	17

(Standard Fed. Tax Reports)

Indeed, customers' operating cost may actually be reduced as obsolescent machinery is replaced by these more efficient models.

The industry reports an over-all average of 35% increased efficiency in the equipment now built over types built immediately before the war. Part of the industry anticipates an even higher efficiency factor for its new models.

5. *Present Equipment of Industry's Customers Is Obsolescent.*—The increase in efficiency of the new equipment is even more striking when compared with the obsolescent machines still in operation in most paper and paper converting plants. On the average these new models operate 50% more efficiently than obsolescent equipment. Thirty percent of the industry expects the degree of efficiency to reach 75% or higher.

The ratio of obsolescent machines currently in operation in customer's plants in relation to comparatively efficient equipment is unusually high. The importance of such a high ratio of obsolescent equipment is especially significant when considered in light of the tremendously increased efficiencies of the new machinery that will permit reductions in customers' operating costs. Specifically, 53% of the paper products machinery now operating is obsolescent. Twenty-five percent of the industry reported that 75% or more of its customers' machinery is obsolescent.⁹ Approximately 30% of the industry stated that the use of its new machinery would enable its customers to reduce the cost of their operations from 5% to 50%.

The following examples demonstrate the increased efficiencies which are possible through the use of the new models which the industry builds.¹⁰

1. A unit of new model pulp grinders makes possible savings in labor, sawdust, repairs, and auxiliary equipment to the extent of \$50,000 in a single year.

2. A new 4 foot wood grinder will produce three times as much pulp as a conventional three-pocket grinder for 2 foot wood.

3. Magazine paper can now be run at 1000 feet per minute as against 500 feet per minute previously possible.

4. Single towel folders produce 80-100 cartons per day as against 60 cartons per day.

5. One hundred thousand to 140,000 envelopes can now be produced with new envelope machines as compared with 50,000 for prewar models.

6. Grocery bags can now be turned out at the rate of 300-450 per minute as against 200-300 previously possible.

7. The use of electric-eye equipment on new rotary paper cutters results in a speed of 500 reams per minute as compared with 100 reams per minute by hand.

8. Paper trimmers can now make 25 cuts per minute as against 12 cuts previously.

9. A new type of beater now replaces 4 conventional beaters and, in addition, is equipped with an automatic control which eliminates the need for a beater engineer.

10. A new auxiliary apparatus on pulping equipment now replaces 5 units of obsolete beating engines. It results in initial cost savings of 40%, decreases power input 25%, space savings 50%, and 75% labor savings.

Further examples of the increased efficiencies possible through the use of new machines are set out in Exhibit C. In addition to submitting letters testifying to the increased efficiencies made possible through the use of new models, several nationally-known customers of industry members have definitely stated that an increase in the price of a specific machine will not result in an increase in their cost of doing business. Excerpts from these letters are set out in Exhibit D.

B. Control of Industry's Products Involves Administrative Difficulties Disproportionate to Effectiveness of Control

Only 14% of the industry's product is "standard." The balance is either modified in accordance with customer specifications (34%) or built entirely to customer specification (52%). Thus, 86% of the industry volume must be priced by a formula method. As has been previously noted, paper-making and converting machinery is large, complex, and requires detailed engineering and design preliminaries. In endeavoring to determine costs, there must be provision for many contingencies which may arise over the long construction interval, and a further reserve for contingencies which cannot be foreseen, but which invariably arise in such large projects. The final price, to some extent, is predicated on conjecture and intuition. In view of the presence of such imponderables, component costs must of necessity, be estimated.

⁹ See Table B, page 16.

¹⁰ These data have been secured from trade journal articles, manufacturers' claims and customers' letters.

The difficulties of the Office of Price Administration in attempting to verify such formula prices based on such estimates, would create an administrative burden disproportionate to the effectiveness of the control or the contribution to the stabilization effort.

The OPA has already exempted X-ray equipment and supplies from price control. The administrative burden was designated as an important consideration in this case in the following words:

“ . . . New models of equipment are continuously being designed and produced. These are priced on a formula price basis and difficulties of analysis to verify prices are enormous. The burden of price control is disproportionate to the contribution to stabilization . . . ”¹¹

C. Exemption of Industry's Products Will Not Divert Materials

In view of the extremely small size of the industry, the complete availability of all necessary materials in the manufacture of paper-products machinery, and the revocation of all WPB controls governing the production of this equipment, exemption from price control will present no threat of diversion of materials from the production of other commodities nor will it impair effective price controls with respect to other commodities.

D. Industry Has Adequate Capacity to Assure Normal Competitive Pricing

The industry sold \$32,000,000 worth of machinery in 1939. Assuming an increased demand of as much as 100% over 1939, there is no question of the industry's ability, by virtue of its greatly increased capacity, to meet this demand.¹²

This increased capacity of the industry is cogently demonstrated by the fact that with a single shift operation, the industry only operated at an average of 67% of its present potential capacity in its best years.¹³ Assuming that war production experience will be utilized and multiple shift operations will be used, the industry can easily double the output of its best years.

Another measure of the industry's potential capacity is reflected in its production in 1944 of \$72,000,000. This production consisted of war materials, essential replacement parts for machinery in operation and a substantial amount of paper products machinery for essential civilian uses.¹⁴

During the combined years of 1943 and 1944, with the assistance of the War Production Board, the industry produced for civilian consumption a total of \$30,000,000 worth of paper products machinery. Consequently, there is less deferred demand on the part of the industry's customers than in the case of automobiles and similar consumer durable goods which have not been produced at all during the war period.

In addition to the increased capacity within the industry itself, it is definitely established that at least 15 firms, not normally engaged in the production of paper products machinery, are planning to enter the field. War-created metal working facilities constitute additional tremendous potential capacity.¹⁵ Idle shipbuilding facilities also present vast potential capacity. With the cancellation of war contracts the shipyards are endeavoring to shift to peacetime pursuits. Such facilities, with alterations, may be easily adapted to the manufacture of heavy paper products machinery. This is corroborated by the fact that one of the country's largest shipbuilding companies, Pusey and Jones, has been manufacturing paper products equipment for the past 40 years.

E. Supplementary Order 119 Provides Insufficient Relief

The high labor ratio in this industry makes such partial relief as is possible through Supplementary Order 119 seriously inadequate. As has been stated previously, the handicraft nature of the paper products machinery industry is strikingly demonstrated by the fact that wages and salaries constitute 40.6% of total sales, as contrasted with 20% in all manufacturing. Such factors as the decreased productivity of labor, and wage increases other than straight time legal increases (overtime, merit increases, second shift premiums) are particularly important in computing increased wage costs. All of these factors are disregarded by current OPA adjustment formulae. Moreover, the low ratio of sales to net worth in this industry necessitates a substantially higher adjustment factor than is possible through Supplementary Order 119.

¹¹ Statement of Considerations accompanying Supplementary Order No. 129, August 29, 1945.

¹² See Exhibit A.

¹³ See Table C, page 17.

¹⁴ Conversation with Walter B. Croan, Chief, Distribution Section, Paper Division, Forest Products Bureau, War Production Board.

¹⁵ Metal working production in 1944 was 423.4% of 1939 output, Source: Bureau of Foreign and Domestic Commerce, Business Statistics Unit.

The insufficient return possible under present price adjustment regulations constitutes a serious limiting factor to full scale production by the industry. Currently, the industry is operating on a highly restricted basis and producing only a small percentage of the output possible with present potential capacity. Sixty percent of the industry reports that it plans on operating two or more shifts if price problems are successfully adjusted. Ten percent of the industry states that it will operate three shifts.

V. SUMMARY OF REASONS FOR EXEMPTING INDUSTRY'S PRODUCTS FROM PRICE CONTROL

The paper products machinery industry should be exempt from price control for the following reasons:

1. The industry meets the criteria for price decontrol as established by Section 2 of O. E. S. Directive No. 68.

a. The industry is very small, sales in 1939 totaling only \$32,000,000.

b. Paper products machinery does not enter into the cost of living.

c. Paper products machinery does not enter significantly into the cost of doing business.

d. Inasmuch as 86 percent of the industry's output must be priced by a formula method, the difficulties of the OPA in verifying prices would create a burden of price control disproportionate to the contribution to stabilization.

e. Exemption from price control will present no threat of diversion of materials from the production of any essential commodities remaining under price control.

2. Paper products machinery is now free from all production and allocation controls.

3. The tremendously expanded productive capacity of the industry in addition to other potential capacity arising from new firms entering the field will result in competitive pricing.

4. The high labor ratio in this industry (40.6 percent of sales) makes the partial relief of Supplementary Order 119 seriously inadequate.

5. The low turn-over of the industry makes the adjustment factor contemplated by Supplementary Order 119 seriously inadequate.

6. The insufficient return available to the industry under present regulations constitutes a bar to full-scale production.

7. The high ratio of consumer goods production per dollar value of paper products machinery justifies an immediate incentive for production; particularly in view of the current critical need of the consuming public for all types of paper and paper products.

Respectfully submitted.

L. J. LIST, *Chairman.*

*Counsel: POSNER, FOX & ARENT,
Standard Oil Building, Washington 1, D. C.*

OCTOBER 24, 1945.

TABLE A.—“Custom made machines”

Number of companies producing “Standard,” “Modified,” or “Custom made” machines, classified according to percentage of output in each group.

Percentage of output	“Standard” items			“Modified” items			“Custom built” items		
	Number of companies	Percent of those reporting	Cumulative total percent	Number of companies	Percent of those reporting	Cumulative total percent	Number of companies	Percent of those reporting	Cumulative total percent
0-10.....	31	75.0		10	25.5		6	15.0	
11-20.....	2	5.0	80.0	5	12.0	37.5	6	15.0	30.0
21-30.....	2	5.0	85.0	8	20.5	58.0	3	7.0	37.0
31-40.....	1	2.5	87.5	6	15.0	73.0			
41-50.....	1	2.5	90.0	3	7.0	80.0	4	10.0	47.0
51-60.....	1	2.5	92.5	1	2.5	82.5	5	12.0	59.0
61-70.....							5	12.0	71.0
71-80.....	2	5.0	97.5	4	10.0	92.5	4	10.0	81.0
81-90.....				1	2.5	95.0	2	4.0	85.0
91-100.....	1	2.5	100.0	2	5.0	100.0	6	15.0	100.0
Average of all companies reporting.....	<i>Percent</i> 14			<i>Percent</i> 34			<i>Percent</i> 52		

Percentage of industry's customers' machinery which is obsolescent, and percentage increase in efficiency of new models

TABLE B.—“Obsolescence” and “efficiency”

Percent	Percentage of obsolescence of customers' machinery			Percentage of increase in efficiency of new models		
	Number of companies	Percent of total	Cumulative total, percent	Number of companies	Percent of total	Cumulative total, percent
0-10				3	7.0	
11-20				2	5.0	12.0
21-30	5	12		6	15.0	27.0
31-40	4	10	22	7	17.5	42.5
41-50	9	22	44	5	12.0	54.5
51-60	3	7	51			
61-70	2	5	56			
71-80	6	15	71	3	7.0	61.5
81-90						
91-100	314	2	73	2	5.0	66.5
101-200				3	7.0	73.5
No answer	1	27	100	10	24.5	100.0
Average of all companies reporting	<i>Percent</i> 53			<i>Percent</i> 53		

TABLE C.—“Capacity”

Percentage of industry capacity required for operations in base period (1936-39); percentage increase in capacity since 1940; and percentage of present capacity which would have been utilized for peak year output of individual company

Percent	Companies operating at specified percent of capacity during period		Companies increasing capacity since 1939		Ratio of best year sales to present capacity	
	Number of companies	Percent of total	Number of companies	Percent of total	Number of companies	Percent of total
Less than 30	3	7.5	21	51	4	10
31-40	2	5.0	2	5	3	7
41-50	5	12.5	3	7	7	17
51-60	3	7.0	3	7	2	6
61-70	8	20.0			3	7
71-80	9	22.0			8	20
81-90	1	2.0			9	22
91-100	6	15.0	3	7	3	7
101-200			2	5	1	2
201-300			1	3		
No answer	4	10.0	6	15	1	20
Average	<i>Percent</i> 66		<i>Percent</i> 155 236		<i>Percent</i> 67	

¹ 27 companies reported an increase in capacity. The average increase reported by these companies is 55 percent.

² 14 companies either reported “No increase” or failed to answer this question. The average unweighted increase in capacity for the industry is 36 percent.

EXHIBIT A. “MINIMUM BASIC DATA” REQUIRED BY THE OFFICE OF PRICE ADMINISTRATION FOR PRICE EXEMPTION

Following the August 31st letter of the Industry Advisory Committee to the OPA formally requesting price exemption for its products, a communication was received from the OPA setting forth six basic questions and recommending that the answers to these questions be incorporated in this supporting brief. The six questions and the answers thereto are set out below:

(1) “If exempted from price control will there be increases in prices for the products to be recommended for exemption in excess of the maximum prices resulting from the pricing formulae at present applicable to such products?”

“If the answer is ‘yes’ estimate the amount, in percent, and in dollars on an annual basis of such increases for the industry.”

A supplementary questionnaire was sent to members of the Industry Advisory

Committee to secure this information. Completed replies have been received from nine of the ten members. It is estimated that these nine companies represent approximately 50% of the total volume of the paper products machinery industry.

Two members reported that they would not increase prices in excess of those presently permissible. Seven others replied that increases ranging from 3% to 25% would be necessary. The average anticipated increase is 11.5%. In dollars, the increase will amount to \$1,695,000.

(2) "Have the products been removed from all Limitation Orders as they relate to the allocation of materials?"

All of the War Production Board's General Limitation Orders regulating the production of paper products machinery have been revoked.

(3) "Will there be any diversions of materials or manpower to the exempted products to an extent that such diversion would affect the price and supply of any essential commodities remaining under price control?"

As stated on page 10, there will be no diversion of materials or manpower.

(4) "Submit factual data showing present and projected post-war capacity of the industry to supply the current and projected post-war demand."

Detailed data concerning the industry's capacity in relation to prewar demand for its products are set out on pages 11 and 12 of the brief and in Table C on page 17. It is estimated that, on the average, the industry now has a year's backlog of orders. In view of the time required to construct paper products machinery, this backlog is a normal condition.

(5) (a) "What is the potential export demand as world markets widen?"

Prior to the war period the industry only exported a comparatively small part of its total output. Reports from members of the Industry Advisory Committee indicate that in the next 12 months an average of only 4% of their output will be exported. The company with the largest amount of anticipated export business expects to export only 10% of its output, while the range for other companies is from less than 1% to 5%.

(b) "What order of precedence will the industry give to export orders in comparison with unfilled domestic orders?"

To the extent that export orders are placed, the industry indicates that it will either give precedence to unfilled domestic orders (3 replies) or else fill all orders, both domestic and export, in the order in which such orders are received (6 replies).

(6) "Will there be fluctuations in demand resulting from the uneven impact of outbacks in war production, and any temporary delays in the reconversion process within your industry?"

There are no factors, seasonal or otherwise, which will create fluctuations in demand. All of the industry's war contracts have been terminated and reconversion is a simple process involving only the substitution of jigs, fixtures, etc., necessary for civilian production.

EXHIBIT B. SAMPLES OF QUESTIONNAIRES SENT TO INDUSTRY MEMBERS

This data will be kept confidential and no individual data will be disclosed to the OPA nor to any member of the industry.

Return one copy of this questionnaire to Stanley I. Posner, Posner, Fox & Arent, 213 Standard Oil Building, Washington 1, D. C.

Keep the other copy for your own files.

PULP, PAPER AND PAPER PRODUCTS MACHINERY AND EQUIPMENT PRICE CONTROL QUESTIONNAIRE

1. Name of company -----
2. Address (Street, City and Zone) -----
3. What specific kinds of machinery or equipment do you make (If you have a catalog, either current or prewar, please enclose a copy).
4. What proportion of your production was sold as "Standard Items" i. e. sold as ready made items without any alteration for customer requirements? ----- %
5. What proportion of prewar sales required minor alteration or modification for individual customers? ----- %

2152 EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942

6. What proportion was made to customer specification entirely or required major alteration from standard items? ----- %
(The total of items 4, 5, and 6 should equal 100%)
7. At what percent of capacity did you operate in the prewar period? ----- %
(Average during 1936-1939 inclusive)?
8. If your present facilities are greater than during the prewar period, to what extent have they increased your maximum potential capacity? ----- %
9. (a) In what year did you have your largest sales volume (civilian production only)? -----
(b) The sales in your peak year represent what per cent of your present maximum capacity? ----- %
10. (a) Do you know of any company not normally engaged in your line of production which intends to enter this field? (For example, warborn industry looking for civilian field) Give names -----

(b) If so, how much additional capacity might be added (in terms of your own capacity)? ----- %
11. Can you estimate (or if no basis for estimate is available, make an informed guess) what proportion of total capacity in your line is represented by your own company facilities? ----- %
12. (a) How much "orders on hand" do you have in terms of your total single shift capacity (i. e. "six months", "twelve months", etc.)? -----
(b) How many shifts do you plan to operate if price problems are eliminated? -----
13. How much increase in *cost* do you estimate today over 1941 *costs*, to produce the same item (assuming the same level of production in both years) (Percentage of Total Cost)
 - (a) For basic wages (direct & indirect) (not including overtime) ----- %
 - (b) For materials (direct & indirect) ----- %
 - (c) Decreased productivity of labor ----- %
 - (d) Sales and administrative ----- %
 - (e) Any other (specify) ----- %
 Total estimated increase in *costs* ----- %
14. (a) Are there any special circumstances in your case (expected higher or lower levels of production, increased productivity, improved techniques, etc.) which will result in a higher or lower percentage increase in cost than shown in the preceding question? (Yes or No) -----
(b) If so, how much? (Increase or Decrease) -----
(c) What are these special circumstances? (Your answer to this question will be most helpful in suggesting additional arguments in support of our request for exemption from price control. If you need more space for the answer, please attach another sheet, or use the reverse side of this sheet.)
15. (a) Do you contemplate any improvements in your products which will increase efficiency as compared with prewar items? (Yes or No) -----
(b) How much increase in efficiency? ----- %
15. (c) If so, give as much detail as possible since this strengthens our argument that there will be no substantial increase in cost of doing business for your customer or of his product. Use additional sheet if necessary.

- 16. (a) If your present products promise no increase efficiency over recent prewar items, do they represent increased efficiency over machines generally in use by your customers? i. e. Are there a large number of obsolete and inefficient machines in use which will be scrapped as soon as your current product is available? (Yes or No) -----
- (b) If so, what proportion of items now in use by your customers are obsolete? ----- %
- (c) To what extent are your current models more efficient than the obsolete type? ----- %
(If you can buttress the bare figures with any striking descriptive information which can be incorporated in the Brief, please make this ammunition available. For example, give the speed or output of your machines as compared with the speed or output of obsolete machines still in use.)
- 17. Do you think use of your machines will enable your customers to reduce the price of their products? ----- %
To what extent?
(Yes or No)
- 18. Have you had the time and opportunity to study S. O. 118 (Reconversion Pricing for Small Volume Manufacturing—\$200,000 annually), or S. O. 119 (Reconversion Pricing for Larger Manufacturers)? (Yes or No) -----
- 19. (a) Do you believe the regulation is applicable to your kind of product and will give you sufficient relief to permit break-even, or profitable production? (Yes, No, Don't Know) -----
- (b) If not, why not? (Answer fully)
- (c) Was 1941 a "representative" year in your operations, from which price adjustments can be measured? If not, why not?
- 20. What are your plans for production under existing pricing regulations? For example, will you go into production at once regardless of OPA action on prices, or will you wait until you know what the OPA will do under S. O. 118 or S. O. 119, or will you wait until you know the result of this petition for complete exemption?
- 21. (a) Have you filed or are you preparing to file under S. O. 118 or S. O. 119? (Yes or No) -----
- (b) State which. -----
- 22. What difference will it make in your plans if this petition for price exemption is granted, as compared with your plans under S. O. 118 or 119, especially in connection with employment?
- 23. Do you want to have a copy of the regulations (S. O. 118, S. O. 119, MPR 136) or the application forms sent to you? (If yes, which do you want?) -----
- 24. If you have any suggestions or comments which may be of assistance in supporting our request for exemption from price control will you set them out on an attached sheet or on the reverse of this sheet.
- 25. Do you approve of the Committee action in seeking exemption? (Yes or No) -----
- 26. If you do not approve, why not?

Dated.....

Signature.....

Title.....

2154 EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942

SUPPLEMENTAL QUESTIONNAIRE TO MEMBERS OF THE INDUSTRY ADVISORY COMMITTEE

(Return one copy of this questionnaire at once to Stanley I. Posner, 213 Standard Oil Building, Washington 1, D. C. Keep one copy for your own files)

1. Name of Company.....
2. Address.....
3. (a). If the industry is exempted from price control, will you increase prices of your products in excess of those permissible under MPR-136 after adjustment in accordance with Supplementary Order 119? Yes..... No.....
- (b). If the answer is "yes", estimate the amount in percent. ----- %
- (c). If the answer is "yes", estimate the amount in dollars during the next 12 months of such increase for your company. \$.....
4. (a). What percentage of your production normally is exported (pre-war)? ----- %
- (b). What percentage do you anticipate will be exported during the next 12 months? ----- %
- (c). Will you give preference to unfilled domestic orders over export orders? Yes..... No.....
5. Will there be any fluctuations in demand for your products from your customers resulting from the fact that some of them still have war contracts while others have none? Yes..... No.....
6. Assuming that all price problems are disposed of, do you anticipate any delay in your reconversion process because you still have war contracts? Yes..... No.....

Name

Title

Date

EXHIBIT C. EXAMPLES OF EFFICIENCIES OF NEW MACHINES

The following specific examples of the increased efficiencies possible through the use of the new machines made by the paper products machinery industry have been secured from trade periodicals, customers' letters, and manufacturers' claims:

1. " * * * Regarding information on the De-Inking plant, wish to say that we formerly had 11 men on each 8-hour trick. With the new set-up, we are doing more work with 4 men and with less effort. * * * That is a saving of 21 men on a 24-hour basis. * * *"¹
2. " * * * The cyclefining equipment that replaced 10 beaters ahead of our No. 6 machine has resulted in approximately 30% labor saving. * * * The hypodpulper and cyclefining equipment ahead of our No. 1 and No. 2 machines has resulted in a labor saving of approximately 40%. * * *"²
3. " * * * I know that you will be glad to know that the four Bertrams have taken the place of the former eight beaters, in fact, they gave us slightly more capacity than we had previously. The net result is better quality with saving of 600 H. P., or a 50% in saving power. * * *"³
4. " * * * We know of machines in the newsprint field that are operated at speeds of 1,500 feet a minute against speeds of some years ago of 750 feet per minute. * * *"⁴
5. Single towel folders now fold 90-100 cartons each day as against obsolescent models only capable of folding 60 cartons per day; and rolled toilet tissue may now be produced at the rate of 120 cartons per day as against a previous speed of 80 cartons.
6. A new model punching machine drills 1½" of paper at one stroke in comparison with old machines that were only able to punch a few sheets at a time.

¹ Excerpt from letter of Newton Falls Paper Mill to member of industry.

² Excerpt from letter of the Sorg Paper Co. to member of industry.

³ Excerpt from letter of the Deerfield Glassine Co. to member of industry.

⁴ Excerpt from letter of the Oxford Paper Co. to member of industry.

7. A new type pulp-making machine can utilize 60 cords of wood per hour instead of 30, with a 5% higher yield of wood in the finished pulp.

8. One hydropulper now does the work of 4 beaters more efficiently, and one hydrofiner is capable of achieving the output of several finishing beaters with more control and less power.

9. The new models are constructed with steel frames, antifricition bearings, and with improved automatic apron feeds as compared with older models having cast-iron frames, babbitted main bearings, and plain feeds.

10. A new type of automatic sheet piler now permits more continuous running by handling 33" piles as compared to the older method which involved stopping the machine to unload 4" or 5" piles. This new type piler also reduces the damaged paper that resulted from handling smaller piles.

11. A new model printer slotter produces speeds in excess of 200 sheets per minute and such speeds may be sustained for long intervals without undue repairs. Old models were only capable of speeds approximating 100-125 sheets per minute.

12. Specific cost savings based on actual experience resulting from the use of new-model grinders are as follows:

	<i>Per ton</i>
Saving in pulpstone cost due to more precise burring.....	\$0. 05
Repair Material.....	. 05
Repair Labor.....	. 05
Wood saved from eliminating saw cut.....	. 20
Labor cost saved.....	1. 40
<hr/>	
Total.....	1. 75

13. Old-type chippers, equipped with 96" diameter discs produced from 12-15 cords of chips per hour, based on a 3/4" chip length. Newly designed 96" chippers now produce 30-40 cords of chips per hour.

14. A new machine known as a slasher now replaces conventional single cut-off saws. This new slasher has multiple saws and will double production of the present cut-off saw.

EXHIBIT D. EXCERPTS FROM CUSTOMERS' LETTERS STATING "NO INCREASE IN COST OF DOING BUSINESS "

The following excerpts are from letters received from the industry's customers pointing out that an increase in the price of a specific machine will not result in an increase in their cost of doing business:

1. " * * * I assured you at that time, when you seemed to be in a quandry, as to just what the price would be with the increased cost of your labor, that the efficiencies that these machines would produce in our plant, could, in no way be affected by normal upcharges that were necessary, due to your increased cost.

"Further, the increased cost of this equipment would, in no way, affect the selling price of our envelopes, but, on the other hand, would have a tendency to decrease our selling prices . . ." ¹

2. " * * * While we understand that the price of these machines will be increased as soon as they are available, we are confident that the increased price of the machinery will be more than offset by the increased efficiency and reduced cost over the majority of equipment which we now have . . ." ²

3. " * * * but with the acquisition of this new equipment, because of their efficiency and productivity, the additional cost would be offset by the fact that it would be possible for us to manufacture envelopes more productively and efficiently without the necessity of our increasing the sale price of our product over our ceiling price as established by the OPA . . ." ³

4. " * * * These improvements, resulting usually in higher investments per unit of machinery, have established their value in greater production and lower costs." ⁴

5. " * * * During the war period you have been faced with rising costs of labor and increasing scarcity of material, tending to largely eliminate reasonable profit from machinery which you construct for the envelope trade. Meanwhile, you have made improvements in design of your machinery, the benefit of which to your customers we believe would more than offset any reasonable increase in costs . . ." ⁵

¹ Letter from Oles Envelope Corp. to member of industry.

² Letter from C. M. Envelope Co. to member of industry.

³ Letter from Garden City Envelope Co. to member of industry.

⁴ Letter from Oxford Paper Co. to member of industry.

⁵ Letter from U. S. Envelope Co. to member of industry.

6. “* * * This letter is to let you know that any increase that might be necessary on your equipment would not require any increase in our prices, for as you can well appreciate the equipment is written off over a period time which to the cost of our units would not reflect mills . . .”⁶

AARON LIPPMAN & Co.,
Newark 4, N. J., May 6, 1946.

Mr. ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Washington, D. C.

DEAR MR. WAGNER: Below is my reply to your telegram of May 3, 1946.

There is no denying the invaluable service OPA has rendered the American public. At the present time however it has disclosed glaring weaknesses.

While it purports to maintain prices at fixed levels it has nevertheless made the consuming public the victim of all forms and types merchandising tricks as a result of which more money is paid for items of substandard quality. I regret to say there is too much fiction in the statement that prices are being held at reasonable levels.

In my humble opinion many more items should be removed from OPA jurisdiction. I am inclined to the belief that much of whatever black-marketting is now rampant throughout the country can be laid at the doorstep of OPA. In my opinion food, clothing, rent, and fuels should remain under OPA power, but these industries should be granted a raise in price to allow the proper margin of profit. As an instance, in 1941 I paid \$275 to have my home painted, in 1944 I paid \$550 for the same type job.

Speaking from personal experience I can honestly say that unreasonable delay in making decisions has contributed greatly to the agency's weakness.

My business is such that I have neither been harmed greatly nor helped in the least by OPA. Speaking as a citizen and expressing a completely impartial opinion I can honestly say that while OPA should be extended it should nevertheless be amended and more items be taken out of their jurisdiction.

If radios were removed from the list, in my opinion and in the opinion of hundreds of individuals in our industry, the price of radios and components would drop within 6 months. That already happened with play-back equipment.

Thanking you for the opportunity to voice my opinion, I am

Very truly yours,

AARON LIPPMAN,
Chairman (Radio Receiver Tube Distributor and Jobber)
Industry Advisory Committee.

SPRAGUE ELECTRIC Co.,
North Adams, Mass., May 6, 1946.

HON. ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
United States Senate Building, Washington, D. C.

Reference: Your wire of May 3 addressed to me as chairman of the Radio Parts Industry Advisory Committee.

DEAR SENATOR WAGNER: As suggested in your wire of May 3, I am very glad to give you a statement which may be helpful in your consideration of pending legislation to extend price control.

The advisory committee appointed by the Office of Price Administration for our industry was very well chosen, consisting of 18 members representing an excellent cross section of the industry, and including both small and large manufacturers. According to OPA records this committee represents some 1,400 manufacturers in our industry. The first meeting of the committee was held at OPA headquarters in Washington on September 26, 1944, and five meetings were held between that date and the last meeting of the full committee on June 6, 1945. The writer has also sat in on numerous OPA conferences with special groups representing various segments of our industry.

The 1,400 manufacturers making up our industry manufacture special parts of all types used by the radio and electronic industry, and these parts are manufactured to literally hundreds of thousands of special specifications as required

⁶ Letter from Gaw-O'Hara Envelope Co. to member of industry.

by our customers. For example, the writer's company manufactured last year items to 9,675 different specifications. The industry is also particularly characterized by rapid technological progress, which requires an enormous number of new and changed specifications each year. For example, and again referring to the writer's company, of the 9,675 specifications referred to above 4,147 represented completely new specifications issued during 1945. This industry is also characterized by very substantial increases in labor costs which have occurred since price ceilings were imposed in 1941. For example, the writer's company has put into effect wage increase, approved by the Wage Stabilization Board, representing a 60 percent increase in basic labor rates between September 1, 1941, and the present time. As there is a wide difference in the labor cost content of the many items manufactured, the increased labor costs incurred have a widely varying effect on the cost of different items.

It doesn't take too much imagination to comprehend from the above brief statistics that centralized price control in Washington, or anywhere else, cannot work rapidly enough or equitably in our industry. Because of these facts the full Radio Parts Manufacturers Industry Advisory Committee unanimously recommended to the OPA at the last meeting held at OPA offices on June 6, 1945, the following:

1. That OPA either recognize in their reconversion pricing formula applicable to radio parts priced under RMPR-136, all increased costs realized subsequent to the base dates upon which maximum prices are based; or

2. That OPA remove price ceilings at the parts level.

In support of these recommendations, the committee submits that neither of these proposals would result in an increase in the cost of living, for the following reasons:

At the end of 1941, prices for radio parts were very substantially lower than their maximum or even average prices during the years 1936-39, inclusive.

The radio parts industry, because of the high obsolescence of its products, the large number of competing manufacturers, unusually diversified specifications covering products manufactured and running into hundreds of thousands of different specifications, and disproportionately high percentage of variable costs due to large labor and material content, is extremely responsive to changes in costs.

In view of the foregoing any fair and equitable maximum prices should be not less than the prices resulting from many years of active competition among manufacturers in the industry, and which existed at the time price ceilings covered by MPR 136 were imposed, plus all increased costs occurring since the date of these maximum prices.

Maximum prices so established would not result in any increase in the cost of living inasmuch as these new maximum prices would, in all cases checked, be considerably less than the maximum prices which were paid for them during the period 1936-39, inclusive (as shown on exhibit A attached) and as accurately as can be determined would approximate the average price paid for these parts during that period.

With special reference to recommendation No. 2, this committee is confident, from previous experience, that competition in the parts industry will force, as it always has in the past, the production on redesigning of these products to sell at prices that will not contribute to any increase in the cost of living over that existing during the base period.

The chart referred to is attached and made a part of this statement. OPA policies established under the act and as detailed in two Executive orders have, apparently, not permitted either of the recommendations to be followed. One result was that the radio industry was only able to manufacture and ship 300,000 radio sets between VJ-day and the end of 1945, as against a volume of 3,500,000 sets estimated by high Government officials shortly after VJ-day.

Since the first of the year there has been a rapid increase in the volume of small table sets produced, as these use lower cost parts with a smaller labor content. There has been to date almost a complete lack of manufacture of the larger console radio sets, which use more elaborate parts and components, and which the radio-set manufacturers urgently need to maintain a balanced production to support their organizations.

At a series of conferences held 2 weeks ago in Washington between industry leaders and the OPA it became increasingly clear that the difficulty of obtaining a balanced production rested not only with the complexity and inflexibility of the parts-pricing structure, but also, as might be expected, with similar difficulties at the "second" or lower levels of production, namely, with manufacturers of fabricated parts such as ball bearings, screw-machine parts, punched parts, fine wire,

etc., used by the radio parts industry in large volume; 4 by 4 lumber is unavailable to cabinet manufacturers because of more favorable pricing of 8 by 4 lumber due to the maintenance of historical differentials which no longer apply under present conditions. Manufacturers of variable condensers are required to purchase ball bearings using chrome-steel balls at five times the cost of ball bearings with carbon-steel balls, due to unfavorable pricing of the ball bearings with carbon-steel balls, although the latter are entirely adequate for the industry.

It has also become increasingly obvious that what the OPA has considered as "bulge costs" are permanent increases in costs.

There is no criticism intended in the above of the administration of the law under the act and controlling Executive orders. It is simply that the OPA has been forced to undertake a herculean task which no group of men in Washington, or out of Washington, is competent to intelligently administer without serious disruption of industry.

As a result of 2 years of very close contact with the administration of price control in the radio parts industry and problems developing from it, I am glad to make the following recommendations to your committee. These recommendations are made with a full understanding and appreciation of the retarding effect which the strikes in the basic steel, copper, and coal industries have had on production and the still more drastic effects which the coal strike will have on all industries if it is not almost immediately settled.

RECOMMENDATIONS

1. That any new act extending price control exclude the mass production manufacturing industries. The problem is too complex to intelligently administer and without price control production in these industries would rapidly accelerate and competition would soon bring about a reasonable relationship between costs and selling prices.

2. If information available to your committee indicates that some manufacturing industries have reached an inadequate production level to decontrol, then decontrol should be automatic when production of a particular item has reached, in any month since VJ-day, a production rate which is equal to the average monthly production rate for that or a similar item during 1941.

3. If the act is extended, the OPA should be required to substantially modify its interpretation of so-called bulge costs and be required to include all legitimate cost increases incurred by manufacturers since price ceilings were established on their particular products in determining product or industry price increase factors.

4. I do not have enough personal experience with other industries to make a general recommendation for the elimination of price control on all products and services, but suspect that the same factors which have impeded the production and sale of many manufactured items also apply to other industries, and have a feeling that the country would be better off if price control were in fact eliminated, except to cover rents during the present housing shortage and any basic food items which are still in short supply.

Respectfully submitted,

SPRAGUE ELECTRIC Co.,
R. C. SPRAGUE, *President.*

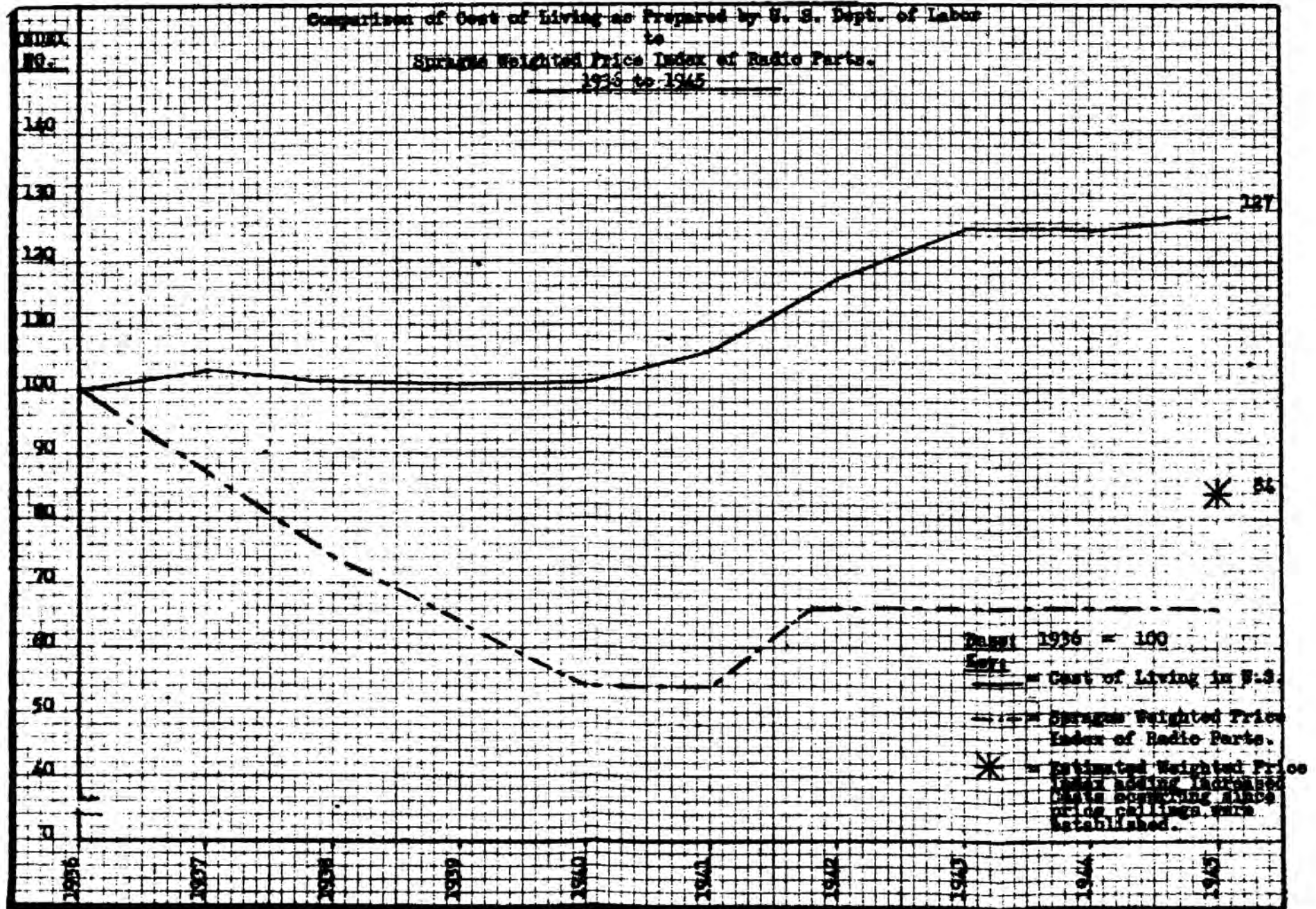
Chairman, Radio Parts (Manufacturers) Industry Advisory Committee.

CINCINNATI, OHIO, *May 9, 1946.*

Senator ROBERT WAGNER,

Chairman, Senate Banking and Currency Committee:

I sent your wire asking for brief statement concerning pending legislation to extend price control to members of the Radio Set Industry Advisory Committee. Members generally feel that price control on sets and parts manufactured by suppliers must be discontinued to permit full production. Controls are very rigid prohibiting suppliers from recovering costs and hence stifling production. Feeling is that within few months after controls are lifted a large volume production will create highly competitive situation and permit substantial cost and price reduction. Present program is uneconomical in that low volume and black markets and irregular flow of materials are increasing costs all out of reason. If controls must continue then parts and sets should be under one division of OPA with recognition given to actual costs and full recovery of these costs permitted. Only full production will bring costs and prices down and the radio industry is noted for highly



competitive practices and extreme value to ultimate consumer. Inequalities and inequities plus impossibility of controlling at central point tremendously complicated business using thousands of different items seems impossible. None of us want inflation. We are now getting it through waste and extravagance in attempting to control arbitrarily a difficult situation. Manufacturers are losing large sums of money by keeping plants open. We are all trying our best to get out volume which is our only salvation and the public is entitled to radio sets. Either complete decontrol or a less rigid policy permitting recovery of costs to suppliers and end product manufacturers is our only alternative.

R. C. COSGROVE,
*Chairman, OPA Radio Set Manufacturers
 Industry Advisory Committee,
 Care of the Crosley Corp.*

CHICAGO, ILL., May 7, 1946.

HON. ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee:

Reference your telegram May 3. Products of railroad specialties industry were suspended from price control April 8, 1946, which action we believe to be in the best interests of the industry, its customers, and the general public welfare. Production is now in step with delivery requirements and tonnage of orders on hand gradually being reduced. In our opinion, price control in manufacturing industries should be suspended immediately with orderly elimination of price control covering consumer goods items within the next 6 months with the exception of rent control which should be eliminated within 12 months. However, reasonable and immediate price relief should be given rental property owners from present rent ceilings which are grossly unfair and unjust and are serving as a definite bar to investment in construction of urgently needed rental properties.

JAMES SUTTIE,
Chairman, Railroad Specialties Industry Advisory Committee to OPA.

BOSTON, MASS., May 9, 1946.

Senator ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee:

Fred Monosson, Chairman of Industry Committee of Rainwear, now in Europe. Have tried to poll industry committee but unable to arrange meeting. Many prominent rainwear manufacturers in New York and Boston. Urge continuance of OPA for limited period. Also earnestly urge elimination of map because of hardship and harmful handicaps to industry.

JACOB L. WISEMAN,
Rainwear Manufacturers, Industry Advisory Committee.

J. LASKIN & SONS CORP.,
Milwaukee, Wis., May 8, 1946.

The Honorable ROBERT F. WAGNER,
*Chairman of the United States Senate Banking and Currency Committee,
 Washington, D. C.*

DEAR SIR: As chairman of one of the group industry advisory committees of the Office of Price Administration, and at your invitation, I submit the following statement.

Price control is effective where compliance is enforceable or the industry or individual is able to operate profitably regardless. Otherwise it is a failure and the spawning ground for legal subterfuge and outright knavery. Therefore, any continuation of OPA should be so restricted as to be practical for enforcement, yet comprehensive enough to maintain a reasonable stability of cost on the bare essentials of living; not including automobiles, washing machines, or any other articles of the seminecessity or luxury type. Whether or not the family entity can live without it should be the test as to the desirability of continued temporary control of any article or service.

Yours truly,

J. LASKIN & SONS CORP.,
 D. V. NASON, *Vice President,*
(Chairman, Raw and Tanned Shearlings, Industry Advisory Committee).

FULTON COUNTY SILK MILLS,
Gloversville, N. Y., May 6, 1946.

SENATOR ROBERT F. WAGNER,
Senate Office Building, Washington, D. C.

MY DEAR SENATOR: As suggested in your telegram of May 3, 1946, I have attached to this letter, a brief statement concerning the pending legislation to extend price ceilings.

I thank you in behalf of my committee, for the opportunity to do so.

Yours very truly,

JAMES ROGER,
Chairman, Rayon Knit Fabrics Industry Advisory Committee.

COMMENTS ON THE PROPOSED LEGISLATION TO EXTEND PRICE CONTROL, FROM
 THE RAYON KNIT FABRICS INDUSTRY COMMITTEE

My committee showed its approval of the objectives desired in price control, by its many constructive suggestions to the OPA, in helping to devise regulation MPR 508 under which our industry operates. Between July 1943 and January 1944, numerous meetings as a whole, or through subcommittees, in conference with OPA officials, arrived at a draft of regulation, that in the main was in keeping with the conditions prevailing in our industry at that time.

However since January 1944 the OPA have failed to seek the advice of my committee, that represented a fair and complete cross section of our industry, comprising not only representatives of large nationally known companies, but also many smaller companies, such as my own. This failure of OPA to maintain contact with only people that were fully aware of changing conditions that affected our industry, has led to dissatisfaction and a lack of respect for officials who apparently have chosen to make decisions important to individual firms without consulting the committee as a whole, or any members of the committee who were ready to proffer unbiased technical advice.

Consultants to OPA, together with a subcommittee, forwarded to OPA in October 1944, some proposed amendments to MPR 508. These proposed amendments were in the main designed to clarify and make the order more workable, and included changes in keeping with actual conditions in our industry. These proposed, and in part necessary, amendments were as far as we can discover now, lost somewhere in OPA, shuttling back and forward between lawyers and economists, the advice and needs of practical businessmen were lost in the shuffle.

My committee desires the retention of price control, provided that prompt and reasonable attention is given to requests from our industry, made individually or collectively. Our experience recently is that we are either ignored, or rulings, made by officials who are not properly informed or if they are, seem not capable of arriving at the correct determinations. Needless to say this tends to lead to a disregard of the findings, and undermines the regard formerly held for the whole program.

Unless the inner workings of the OPA can be speeded up, extensions of the present controls will be on paper only, the longest period suggested for the extension, one year from June 30, 1946, would not, we feel, furnish enough time for some of the divisions of OPA, as presently constituted, to issue rulings on routine matters brought to their attention, meanwhile business would either have to ignore the regulations not suitable to changed conditions, or stifle in a strait-jacket made of OPA red tape. A free market with all its risk of inflation would seem preferable to either of these alternatives.

JAMES ROGER,
Chairman, Rayon Knit Fabrics Industry Advisory Committee.

GIFFORD-HILL PIPE Co.,
Dallas, Tex., May 6, 1946.

Senator ROBERT F. WAGNER,
*Chairman, Senate Banking and Currency Committee,
 Washington, D. C.*

DEAR SIR: In reply to the telegram you as chairman of the above committee sent to me on May 3, 1946, as chairman of an OPA industry advisory committee concerning pending legislation to extend price control.

It is my sincere opinion that conditions existing in our industry today are such that it should be properly released from all price control measures. This con-

clusion was reached after considering both the consumers and the producers, as well as those tenets of free enterprise which have made the United States of America great.

Yours very truly,

J. W. PORTER,
Chairman, OPA.

ADVISORY COMMITTEE TO THE OPA
FOR THE RED CEDAR SHINGLE INDUSTRY,
Seattle 1, Wash., May 8, 1946.

HON. R. S. WAGNER,
Senate Office Building, Washington, D. C.

DEAR SENATOR WAGNER: Please refer to your wire of May 4 which was as follows:

"Senate Banking and Currency Committee will be pleased to include in its transcript any brief statement you may desire to submit concerning pending legislation to extend price control, statements on or before May 10."

My answer is as follows:

Present OPA policy instituted in October 1943, limited ceiling price increases to amounts required to maintain 75 percent of an industry on a break-even or better basis. This wartime policy has resulted in reducing production in the red cedar shingle industry to 50 percent of a normal production, and should now be changed to a peacetime policy of pricing to permit at least 90 percent of an industry to operate at a fair and reasonable profit.

A fair and reasonable profit margin in our industry should be set at 7 percent of the average ceiling prices, which was the basis on which the original ceiling prices on red cedar shingles were set by the OPA. Increased labor costs in the mills and woods soon more than absorbed this margin and the policy mentioned above blocked our industry from obtaining adequate relief in increased ceiling prices. Production cannot be obtained on the present basis regardless of the desperate need for shingles for roofs and sidewalls.

I favor extension of price control for a definite period of nine months—provided OPA authority is limited by Congress to encouraging production.

Sincerely yours,

R. D. MACKIE,
Chairman, Red Cedar Shingle, Industry Advisory Committee.

REDWOOD INDUSTRY ADVISORY COMMITTEE,
San Francisco 4, Calif., May 9, 1946.

HON. ROBERT F. WAGNER,
*Chairman, Senate Banking and Currency Committee,
Senate Office Building, Washington, D. C.*

DEAR SIR: We appreciate your wire and welcome the opportunity to express our opinion on extension of price controls.

We are opposed to continuation in peacetime of wartime price controls and subsidies. We believe current widespread black markets and restricted production caused by impractical and unrealistic OPA policies cost the consuming public more than they would pay in a free market.

Maximum production would eliminate black markets and competition would quickly bring about honest price levels reflecting only such higher prices as are inherent in existing dollar deflation from past deficit spending.

Price controls and subsidies only conceal inflation of price levels inherent in deflated dollars. Real remedy is for Government to stop spending more than it takes in and stop restricting production of manufactured goods.

Rate of lumber production, so badly needed for housing, is now approximately 25 percent less than the rate of production just 4 years ago, primarily because of failure of OPA to recognize replacement cost of timber and absolute necessity of prices high enough to encourage marginal operators and second shift and overtime operation which are the sources of approximately 25 percent of maximum lumber production.

We fully realize lumber prices and many other prices might increase sharply for a time if ceilings on manufactured goods were abolished, but production also

would increase sharply and we sincerely believe our country will get on an even keel much more quickly with maximum production and free competition than can be hoped for under continued regimentation.

Sincerely yours,

REDWOOD INDUSTRY ADVISORY COMMITTEE,
A. S. MURPHY, *Chairman.*

CHICAGO, ILL., *May 9, 1946.*

ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Washington, D. C.

Relative your telegram inviting statement on pending price-control legislation Refrigerated warehousing industry strongly of opinion that price controls served well a wartime purpose but should now be abandoned permitting supply and demand and free competition to govern prices.

VALEE O. APPEL,
Chairman, Refrigerated Warehousing Advisory Committee.

STANDARD OIL CO.,
Chicago 80, Ill., May 7, 1946.

HON. ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Washington, D. C.

DEAR SIR: With reference to your telegram of May 3, 1946:

From my several years experience on advisory panels working closely with the Office of Price Administration on their oil problems, it is my candid opinion that the efforts of OPA during the war emergency were very essential, and I could fully understand the need for this activity. However, now that the war emergency is over and the production of petroleum products is more than adequate to take care of all civilian requirements, I am unable to see any reason for the OPA continuing this absolutely unnecessary effort.

We were advised many times in our meetings at Washington by the OPA Administrator, and subsequently at meetings held elsewhere, that as soon as the OPA activities were unnecessary they would be discontinued. So far as the petroleum industry is concerned, there has been no necessity for OPA regulations for the past several months. I personally feel that the petroleum industry is entitled to relief from the burdensome red tape of doing business under OPA regulations.

Yours very truly,

E. W. MILES,
Chairman, OPA Residual Fuel Oil
Industry Advisory Committee for District II.

PENN FRUIT CO.,
Philadelphia, Pa., May 4, 1946.

Senator ROBERT F. WAGNER,
Senate Office Building, Washington, D. C.

DEAR SENATOR WAGNER: In answer to your telegram, we are convinced that price controls should be continued until production equals demand; provided, however, that able and adequate manpower is installed within OPA, backed by sufficient budget to do the job.

We do not believe that the black-market operators and certain unscrupulous factions are bigger than the United States Government. Nor do we believe that the people in high places in Government cannot solve the inequities if given the proper instrumentality by Congress.

It would be a tragedy for this Government to admit defeat in the administration of the program of stabilization at this critical time, in view of the inevitable consequences.

The same forces that contributed to the present break-down of control of inflation will go to work in another form, if Government cannot rise to this occasion.

The above represents the opinion of our organization. I am leaving tomorrow for the coast on an important engagement and therefore will not be able to obtain the views of the other members of my committee.

Sincerely,

SAMUEL COOKE,
(Retail Fresh Fruits and Vegetables Industries Advisory Committee).

THE BAILEY, BANKS & BIDDLE CO.,
Philadelphia, May 7, 1946.

HON. ROBERT F. WAGNER,
United States Senate, Washington, D. C.

Dear Sir: Your telegram of May 3 in reference to OPA received. As chairman of the Retail Jewelry Industry Committee, I will state as briefly as possible my views as requested.

First, I believe the Price Control Act was necessary and had it been administered as written it would have been much more equitable and effective.

Second, I have never felt it should have attempted to control prices of articles that had no bearing on cost of living—for instance, precious stones were exempt—yet OPA formulated regulations which placed diamonds weighing 1 carat or less under price ceilings and semiprecious gems when the stone costs less than \$100 at the cutter were also included. This of course could not be made to work and diamonds were eliminated after 16 months of confusion. As to semiprecious (all of which also originated outside America) they were retained until last fall. Example—Stones which were seized in Bermuda were sold there at auction at 10 times the prewar prices. Those seized in New York at 15 times prewar prices, and when we asked for relief we were informed we should sell at our prewar (March 1942) prices. Actually we had to pay \$13.34 and were expected to sell for \$1.50. Of course no one did it and finally late in 1945 the ceilings were removed from gold jewelry, including articles containing semiprecious stones.

Watches: American watches (Elgin, Hamilton, and Waltham) were not made during the war aside from a few hundred that were completed and distributed from time to time at 1942 prices. Elgin and Waltham have changed their method of distribution this year and no watches were distributed until the past 30 days, until the price ceilings were removed. Elgin watches have advanced about 10 percent. To date there have been no Walthams and no change in price has been announced by Hamilton.

Swiss watch prices have been held quite rigid. Some small advances were permitted to cover foreign costs; however, some 25 importers have received approved retail prices and in most cases they show long profits and advanced prices.

In spite of all the charges made in paid advertising and direct mail, as a matter of fact the retailers generally were able to display just a few watches. No adequate assortment and often received them after months of delay. The truth is that our Army exchange service and ship stores secured about 60 percent of the men's wrist watches that came in either direct or via South America and Mexico.

Due to the demands Switzerland shipped a very large proportion of their product in men's models, hence we have a large backlog of orders for women's watches and men's pocket watches now.

Silverware: Both sterling and plated have been under price control until recently and flatware (the necessary articles used to eat with) is still under rigid price control. The price of sterling silver flatware was frozen at 1942 prices (sterling silver knives, forks, and spoons were the only kind available after April 1942). The manufacturer and retailer were permitted to add \$0.36 per fine troy ounce to his price without adding any profits. This was done to equalize the cost to 0.7111 the OPA price for fine silver as per the Green bill. This expired December 31, 1945, and has not been renewed or adjusted. The manufacture of plated ware was discontinued in April 1942. I spent the past week in New England, where nearly all the sterling flatware is produced and found the manufacturers operating with reduced forces and was told they must discontinue very soon unless silver was released. Most of them are trying to continue this month.

Platinum: This metal was not available due to Federal control until last August and when released OPA continued control at 1942 prices. The result was the world price was much higher and no platinum came to this market and no action was taken until April 29. The result of course as in all such controls, a black market was created and desperate manufacturers who had to have the metal or close down had to pay high prices. Platinum, gold, and silver are precious metals

and should all be permitted to find their price level without artificial manipulation except where they may become involved in monetary control. The world market is now bidding a higher price than \$35 for gold. Why not release our surplus to prevent inflation right now?

Some of the items I have covered are not entirely OPA however, that figures in the general picture and in closing I wish to restate my position, that I feel articles that had no direct bearing on the cost of living should not have been included in any price-control act, in other words, had OPA devoted its entire effort to controlling the prices of cost of living articles, they could have defeated most of the black market operations if not all of them and saved everyone a large portion of their excess expenses.

Trusting there may be some information of value in the facts that will enable you to know the true condition as we have found it in trying to operate under the OPA, I am

Yours very truly,

WILSON A. STREETER,
Retail Jewelers Industry Advisory Committee, No. 303.

TASK COMMITTEE,
RICE MILLING INDUSTRY
ADVISORY COMMITTEE TO
OFFICE OF PRICE ADMINISTRATION,
Washington, D. C., May 6, 1946.

HON. ROBERT F. WAGNER,
*Chairman, Senate Banking and Currency Committee,
Senate Office Building,
Washington, D. C.*

DEAR SIR: Thank you for the privilege which you have extended us to make a statement with respect to the experience of the rice milling industry's operation under regulations promulgated by the Office of Price Administration.

Under the regulation denominated MPR 150, ceilings were established on milled rice as of May 22, 1942. The specific maximum prices established at that time, according to public statement of the OPA, were established at prices approximating those prevailing at the end of December 1941, or the first fortnight in March 1942. Three months later the Office of Price Administration rolled back the maximum prices on milled rice by approximately 12 percent, the reason assigned by the OPA being that prices for rice were out of line with other prices. The statement "other prices" is not qualified or explained. By the terms of amendments effective February 1, 1943, April 17, 1943, October 14, 1943, and April 1, 1944, pricing bases were altered so that an equitable margin was not allowed for the processing as required by the Emergency Price Control Act.

By the end of 1943 the margin for processing had been reduced to such extent, due to the whims and caprice of the OPA, that the squeeze on rice millers had reached the proportion of a national scandal. In an effort taken belatedly to correct this situation the OPA provided maximum prices for rough rice; however, in providing such maximum prices the OPA ignored and violated all historical methods of marketing rough rice and provided maximum prices on rough rice with a moisture content of 17 percent, whereas the United States Department of Agriculture standards for rough rice provide that rice with a moisture content in excess of 15 percent is not in sound condition and of merchantable quality.

Petitions of both a formal and informal nature from time to time were filed by rice mills with the OPA, and though it is our opinion that the factual evidence submitted in support of these petitions was sufficient to convince any reasonable person, the OPA consistently denied relief on the allegation that the evidence submitted was incomplete or inadequate. It is our considered opinion that, in determining maximum prices at the processor level, the OPA has sought to control profits rather than prices.

Pursuant to the provision of the Emergency Price Control Act which stipulates that in the case of any commodity for which a maximum price has been established the Administrator shall, at the request of a substantial portion of the industry, appoint an industry advisory committee, such a committee was appointed for the rice-milling industry. This committee has met frequently with officials of the Office of Price Administration, and in such meetings the committee has made a

number of recommendations, some of which have been reiterated in a number of meetings. However, notwithstanding the further provision of the Emergency Price Control Act that such recommendations shall be considered by the Administrator, no action has been taken by the Administrator which would indicate that any consideration had been given to the recommendations of the committee.

The regulations provided by the OPA for rice are so impractical and so inequitable that rice mills have not been able to earn a generally fair margin from processing operation per se. This condition has promoted a vast number of manipulative practices and ingenious expedients that closely border on black-market operations. The Office of Price Administration has failed to provide any effective enforcement of its regulations, possibly for the reason that not even those officials who drafted the regulations know or understand what they contain. It is our opinion that the regulations providing maximum prices for rice have not been provided within either the letter or the intent of the Emergency Price Control and Stabilization Acts.

Unless the Emergency Price Control Act is amended in such manner that the Office of Price Administration will be required to recognize current costs, plus a reasonable profit on each commodity sold and service performed, we believe that black markets will develop and expand to such degree that effective control of prices will be utterly impossible and respect for all law will break down.

We believe that it is desirable to provide control of prices during an emergency when demand exceeds supply, provided that prices are provided in a realistic manner which is generally fair and equitable to all segments of the national economy. It is our judgment that it is imperative that the Congress in making any extension of the Emergency Price Control and Stabilization Acts should stipulate in the text of the law, in language plain and unmistakable, that the Office of Price Administration, in providing any maximum prices on any commodity or service, shall recognize current costs; and further, that a generally fair and equitable margin of profit shall be allowed for the processing of any commodity and for performing any service incidental to the packing, handling, distributing and marketing of such commodity.

Respectfully submitted.

E. HARVEY STEINHAGEN, C. R. WALTON,
*Task Committee, Rice-Milling Industry Advisory Committee to Office of
Price Administration.*

BRIDGEPORT, CONN., *May 9, 1946.*

ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee, United States Senate,
Washington, D. C.:

Retel May 3 unprecedented concentration of authority in OPA over business and industry creates problems too huge and intricate for successful administration by any organization. As an illustration; OPA Machinery Branch, Electrical Section, has ruled that the electrical conduit manufacturers as a group do not constitute an industry but represent only a line and therefore are not entitled to apply for prices that would bring a profit or return comparable to that earned in the base period 1936-39. This decision was made because 30 percent of the conduit was not produced by exclusively conduit producers. Under this ruling we are only eligible to apply for price relief which gives us our bare costs. Thus a great multimillion-dollar business is to be carried on a basis of no return and this is not the American way. Price control on capital goods should be removed immediately, as their effect on cost of living is indirect and is spread out over a period of years. Production in many of these lines now approaches 1940 levels and therefore competitive influences which have always governed will eliminate unreasonable increases. Such price control as needs remain in strictly consumer goods should incorporate the determination of basis policies by the Congress and not the administrator of the act.

D. J. MURRAY,
Chairman, Rigid Conduit Advisory Committee, OPA.

PHILADELPHIA, PA., May 9, 1945.

HON. ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Washington, D. C.

Replying your telegram May 3 it is consensus of opinion of this industry that OPA should be abolished, or at least, amended to allow a more adequate return than three-quarters of 1 percent before taxes on this industry's invested capital, now the basis of the present OPA formula, which is grossly unfair, in view of the fact that this industry's productive capacity is sufficient to meet any demands and therefore competitive enough to restrain unwarranted price advances. Imperative that Congress establish a definite fair-return formula.

FRANK L. MARTIN,
Chairman, OPA Rolled Glass
Industrial Advisory Committee.

PITTSBURGH, PA., May 7, 1946.

HON. ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee, Washington, D. C.:

Products covered by the industry advisory committee for rolling mill machinery and equipment have had controls suspended for the reason that costs of such equipment do not have any direct relation to the cost of living and the productive capacity is greater than the demand; therefore the competitive condition controls the price structure and all such equipment should be decontrolled. For the same reasons we request immediate decontrol of steel castings.

C. W. HOWAT,
Chairman, Rolling Mill Machinery and Equipment (Manufacturers) Industry
Advisory Committee.

NEW YORK, N. Y., May 9, 1946.

Senator ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee, Washington, D. C.:

Retel: Most ceilings in our line unnecessary. In fact, few remain. Rotenone prices under ceiling control due State Department treaty with Peru guaranteeing accept entire Peru production with floor under price.

H. R. KING,
Chairman (Rotenone Processors') Industry Advisory Committee OPA.

TOBIN PACKING CO., INC.,
Albany 1, N. Y., May 7, 1946.

The Honorable ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
The United States Senate, Washington, D. C.

DEAR SIR: With reference to your telegram of May 3:

As chairman of the OPA Sausage Advisory Committee for Slaughterers, there is no way that I can see to correct the present situation in the meat packing industry except to remove price controls on livestock, meat and meat products on June 30.

It is impossible for any meat packer to conform with present Government regulations and stay in business much longer. My reasons are as follows:

1. The consumer is not cooperating with OPA in buying meat at ceiling prices. They seem not to care what price they pay for meat just so they get it. This encourages the black market to flourish and unless the OPA has the cooperation of the consuming public, price control is nothing more than a sham.

2. Hogs are being slaughtered by small operators in this community and sold dressed at from 25 to 30 cents a pound.

3. At the present time at least 1,500 Western cattle (steers and heifers) are being brought in alive and slaughtered in this community by small non-federally inspected slaughterers and sold at prices varying from 30 to 40 cents a pound by the carcass. Sales of beef by legitimate packers in same territory at OPA ceiling prices are less than 500 cattle a week where in normal times sales would run 2,000 head of cattle per week. Subsidies are being paid to many of these small slaughterers every month. When you ask if they can keep in compliance with OPA regulations, they tell you they don't know anything about compliance yet the Government pays them a subsidy every month.

4. In some instances there has been no regard in the past or present by small slaughterers to confine their operations to quotas and no attempt by Government authorities to compel them to do so.

5. Permits have been granted to so many slaughterers of livestock, it would take an army of a million men to police slaughtering operations.

There is no possibility, in my opinion, of correcting the present conditions other than by complete abolition of price controls on June 30.

Very truly yours,

W. C. CODLING,

Chairman, O. P. A. Sausage Advisory Committee for Slaughterers.

VULCANIZERS MATERIAL CO.,
GRAND RAPIDS 4, MICH., May 7, 1946.

Senator ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Washington, D. C.

DEAR SENATOR: Thank you for your wire of the 4th extending to me the opportunity of expressing my views concerning the pending price control legislation.

Our people are going without a great many badly needed items because of the fact that price ceilings discourage production in such items. Price ceilings should be raised to relieve such shortages. In every case where production is sufficient to meet the demand on any commodity, no time should be lost in removing the price ceilings.

Thank you again for the privilege, I remain,

Yours respectfully,

A. WARSAW,

Chairman (Scrap Rubber Repair Materials) Industry Advisory Committee.

PRESQUE ISLE, MAINE, May 9, 1946.

Senator ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee, Senate Office Building,
Washington, D. C.:

Reference your wire May 3 would advise that we take the general position that price control should ease immediately when ample production is available and strongly recommend favorable consideration of the definite formula for removal as submitted by K. W. Kitchen, executive vice president of United Fresh Fruit and Vegetable Association in his statement before your committee recently.

HARRY E. UMPHREY,

Chairman, Seed Potato Industry Advisory Committee.

R. NEWMANN & Co.,
Hoboken, N. J., May 8, 1946.

Hon. Senator ROBERT F. WAGNER,
Chairman, Banking and Currency Committee,
Washington, D. C.

DEAR SENATOR: Reference is made to your telegram of May 3, requesting a brief statement for submission and inclusion in the committee's transcript. I submit the following:

1. Higher raw material and labor costs make it impossible to operate at 1941 ceiling prices. To create full production, prices must be based on current raw material and production costs, plus a profit margin. Present controls are delaying production on all items on which it is impossible to make a profit margin.

Due to unusual circumstances the 1936-39 base period for determining profit is not fair to the tanning industry. (Mr. Porter in a letter, dated April 8, to a Member of the House of Representatives, made the following quoted statement: "Of the several hundred firms in the leather industry only one had raised any objection to the use of the 1936-39 base period as the basis for excess profits tax determination previous to the abolition of that tax." Mr. Porter is evidently not fully acquainted with the internal revenue act regarding the use of 1936-39 as a base period for determining profits. Under the internal revenue act a manufacturer had the option of using the invested-capital method if his base period was unfavorable. There is no such provision for relief under OPA.)

2. Discrimination against multiple products industries should be removed. Such industries cannot get price relief on a non-profitable product. This results in:

(a) Product is discontinued by such manufacturer.

(b) The sole manufacturer of the same product can obtain relief.

3. Our customers can circumvent the manufacturer by buying material at prices higher than the manufacturer can afford to pay, and have the material processed on contract.

I take this opportunity to thank you for the privilege of placing our viewpoint before your committee.

Very truly yours,

A. C. WURM,
*Chairman, (Semitanned Goatskin and Sheepskin),
Industry Advisory Committee.*

NATIONAL PAPER BOX MANUFACTURERS ASSOCIATION, INC.,
Somerville, Mass., May 6, 1946.

HON. ROBERT F. WAGNER,
*Chairman, Senate Banking and Currency Committee,
Senate Office Building, Washington, D. C.*

DEAR SENATOR: I am very glad of the opportunity to answer your telegram, dated May 4, in my present official capacity of president of the National Paper Box Manufacturers Association (set-up paper boxes) and chairman of our industry advisory committee, Office of Price Administration.

Our industry, generally, has approved the purpose, and accepted as fact, the need for price regulation. None of us want to see uncontrolled inflation. So that any criticism is not of the purpose, but of the administration of the controls imposed, and the effect of same.

We believe that any law, to be successful, should be possible of enforcement readily understood by the average intelligence, and above all, for the public good OPA qualifies in but one of these three requisites. And it is still an open question in my mind, at least, whether any law, however high the motive, or necessary for the common good, that makes liars and cheats of a sizable segment of our society, creates black markets (bootleggers in the "noble experiment" of prohibition) and violators of the law of the land, does not do more harm than good, in the long run.

As to the faulty administration, which seems to be almost universally admitted it seems to me that this comes from the policy of setting too rigid a pattern to fit the tremendous complexities and variations of our industries. Standardization, wherever possible, is most desirable, of course. But if we attempted to standardize men's clothing in one pattern and in one average size the results might be comparable to setting one pattern of controls for the steel industry, and using the same measure for our set-up box industry.

As to our own situation, we cannot complain of the treatment accorded to us by the section (Paper Board, in Forest Products Branch) with which we deal. They have been, at all times cooperative. Whether their adherence to the over-all policies emanating from higher-up is always fact, and not, sometimes, passing the buck, we have no means of knowing. All we get is the results. And to us it seems that a rigid price freeze on October 1941 prices, with cost of labor up variously, from 40 percent to 75 percent, materials 20 to 50 percent, and other cost factors greatly increased, creates a situation which warrants more consideration than we have been granted, up to the moment.

We have noticed a lessening of the rigidity of these controls of late. Unfortunately for us, this condition has not reached our level, as yet. And our industry is one that might have been given much earlier consideration, in that there is nothing inflationary in the pricing of our products, nor has there ever been. Whether a three-pair hosiery box sells for \$18 per thousand, or \$25, makes no difference in the price of the article to the ultimate consumer. The extra 7 cents per box is too small in comparison with the value of the three pairs of hose.

I am aware that I shall what say in conclusion may be considered to be treason in some quarters, but controlling everything but labor can lead to but one result. And that result we are now getting. Paging Lewis, Reuther, Whitney, et al.

Yours very truly,

A. M. BOND,
Set-up Paper Box IAC Industry Advisory Committee.

SOUTHERN STATES MARKETING COOPERATIVE, INC.,
Richmond 13, Va., May 8, 1946.

To: The Senate Banking and Currency Committee, Robert F. Wagner, chairman,
 Senate Office Building, Washington, D. C.

From: Leland J. Graham, *Chairman, Shell Egg Industry Advisory Committee,*
Southern States Marketing Cooperative, Richmond, Va.

Subject: Pending legislation to extend price control as affecting eggs and poultry.

In response to your telegram stating that your committee would include in its transcript a brief statement concerning pending legislation to extend price control, I submit the following information:

1. Over three years of price control on eggs and poultry have definitely proven that the Office of Price Administration has been unable to enforce price ceilings on eggs and poultry. Agricultural officials who visited Germany during the Hitler regime before the war have made the statements that eggs and poultry were products on which price control had not operated effectively.

2. As a result of this lack of enforcement of price ceilings, black markets in these products have been rampant.

3. These black markets in poultry and eggs have caused prices to the consumer to be higher than they normally would have been had these products been marketed through legitimate and regular trade channels for the following reasons:

(a) With no attempt at enforcement in small towns and country points (at least in the territory covered by our association, viz, Virginia, West Virginia, Maryland, and Delaware), hucksters and others have paid a flat price for all eggs regardless of size or quality and the consumer has been forced to pay for small, dirty and grade C quality eggs prices far higher than he should have paid for grade AA Extra Large.

(b) All price incentive to encourage the farmer to take care of this highly perishable product has been completely destroyed, and as a result a considerable amount of waste has ensued, since due to this practice of buying current receipt or straight run eggs even the spoiled and rotten eggs in the case were bought and sold at black-market prices.

4. Permitted mark-ups for wholesalers, jobbers, and other first receivers were established by the OPA with such narrow margins as to be absolutely confiscatory.

Example: This organization, a farmers' poultry and egg marketing cooperative which acts as sales agent for cooperative packing plants in the country, was forced to pay a price 3 cents per dozen higher to these cooperatives than the price at which the eggs could be sold to a chain store, jobber, or large retail route seller. In order for us to sell these eggs at the same price at which they were purchased to a chain store, jobber, or large retail route seller, it was necessary for us to incur an out-of-pocket expense for delivering these eggs from our place of business to the warehouses of these buyers.

5. Legitimate handlers of eggs and poultry have lost a large portion of their business due to their observance of price ceilings and the limited margins allowed them. OPA policy of nonenforcement has placed a premium on black marketing and imposed insurmountable obstacles on the established honest poultry and egg marketing cooperatives and other handlers.

6. The greatest hardship has been worked on those poultry producers who have built their businesses around the production of high quality eggs during the period of greatest scarcity. No appreciable premium has been allowed them for their eggs over the price allowed for eggs that have been in storage 6 to 8 months.

Due to the fact that so many millions of people raise poultry and eggs and the further fact that these products need so little preparation for table use, it is my opinion that OPA will never be able to do any better job of price control in the future than it has in the past no matter what it promises or how hard it tries.

The number of laying hens and chickens on farms is far greater than in any peacetime period in our history, not only in actual number but in the number per capita. Supplies of eggs in storage, including frozen eggs, are estimated at 20 to 40 percent over the prewar average.

Poultry in storage is far above any peacetime levels.

Following is an excerpt from the current issue of the Demand and Price Situation published by the United States Department of Agriculture, Bureau of Agricultural Economics:

"Eggs.—Prices paid to farmers for eggs during the remainder of the year will probably average below last year.

During most of 1945 prices were at or near ceiling due to the wide margin in demand and supply.

"During the remainder of 1946 the demand for eggs is not expected to be as strong as in 1945.

"Supply of eggs available for civilians during the second half of the year will be larger than the corresponding period of 1945.

"*Chickens.*—Civilian supplies per person will be much larger in 1946 than in 1945 during the second quarter and third quarter—fourth quarter expected to be about the same."

For these reasons if price controls were removed, average egg prices should not advance materially and would not be as high during the fall months as they were under black-market conditions.

Conclusion: Price control of eggs and poultry has never operated effectively to hold prices down, but rather has actually increased them to the consumer due to the encouragement of black-market activities. Due to the very nature of the industry, price control can never be made to work effectively. There is an abnormally large supply of poultry on farms and eggs and poultry in storage at the present time so that prices should not rise excessively should price controls be removed.

I therefore strongly recommend that poultry and eggs be exempted from all price control.

THE FONTIUS SHOE CO.,
Denver, Colo., May 8, 1946:

Senator ROBERT F. WAGNER,
Senate Banking and Currency Committee, Washington, D. C.

DEAR SIR: In reply to your telegram dated May 3, 1946.

The views of the shoe retailers of the country have been presented jointly with other national retailer associations as set forth in the statement made before the Senate committee by Dr. Paul H. Nystrom.

As a representative of the shoe retailers I would like to call your attention to the statement made by Dr. Nystrom in which retailers are particularly interested, which reads as follows:

"To expedite reconversion, encourage production and facilitate distribution of needed commodities and services, there should be an amendment to the Emergency Price Control Act requiring that whenever an increase in price is granted at any level of production or distribution, the same percentage increase shall be granted to all succeeding levels of production or distribution."

Yours very truly,

HARRY E. FONTIUS,
Chairman (Shoe Retailers) Industry Advisory Committee.

STEPHEN PUTNEY SHOE CO.,
Richmond, Va., May 6, 1946.

Senator ROBERT F. WAGNER,
*Chairman, Senate Banking and Currency Committee,
Washington, D. C.*

MY DEAR MR. SENATOR: Replying to your wire of May 3, requesting my opinion:

Mistakes must necessarily occur when any business concern, individual or Government agency have difficult problems to solve and important decisions to make.

The Office of Price Administration has not batted 1,000 percent, but who does? On the whole they have done a good job, and for the good of all price control should definitely be continued.

Very truly yours,

ARCHIE P. CONE,
*Chairman (Shoe Wholesalers) Industry Advisory Committee,
Office of Price Administration.*

NEW ORLEANS, LA., May 6, 1946.

HON. ROBERT F. WAGNER,
*Chairman, Senate Banking and Currency Committee,
Washington, D. C.:*

Retel May 3, with reference pending legislation concerning Price Control. I appreciate opportunity of submitting following brief statement for inclusion in your transcript. Price control should be extended to apply on major items

considered as entering into essential cost of living and concentration of OPA force on enforcement on these limited cost of living items should result in some substantial compliance of these few items left under control. All price control should cease 10 months hence. The effect of price control in the Shrimp Industry has been to retard production and to create a black market absorbing in excess of 60 percent of the industry's production and in causing maldistribution areawise and channelwise of product shrimp. The effect of OPA price control has been in the shrimp industry to cut canned shrimp production from an excess of 1,000,000 cases to less than 150,000 cases and for that reason the entire shrimp industry has and is beseeching OPA to immediately effectuate price decontrol in the shrimp industry.

JULIAN MCPHILLIPS,
Chairman, Shrimp Industry Advisory Committee.

PITTSBURGH, PA., May 7, 1946.

HON. ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Washington, D. C.

Re tel. I am satisfied that pending legislation to extend price control should remove and exclude from control non-cost-of living and nonconsumers items. Such items properly include that of the product of our slack cooperage industry which is a relatively small industry that manufactures its own component parts and the assembled slacks, kegs, and slack barrels for bulk packaging of various products. The contents in each package weighs from 100 to 800 pounds and the cost this bulk packaging per pound of weight carries is insignificant in any item in which the cost of living is involved. This industry is not monopolistic. Full production and general competition should hold the line in prices. Decontrol of slack cooperage will not present a threat to diversion of material facilities or manpower from production of other commodities. Since the industry has its own specialized facilities it is self-sustained and the production areas are widely separated. This opinion is concurred in by several other members of Slack Cooperage OPA Advisory Committee whom I have been able to contact since receiving your telegram.

J. W. LITTLE,
Chairman, Slack Cooperage Industries Advisory Committee.

ONEIDA, LTD.,
Oneida, N. Y., May 8, 1946.

TO: HON. ROBERT F. WAGNER, *chairman, Senate Bldg., Washington, D. C.*
FROM: MILES E. ROBERTSON, *general manager, Oneida, Ltd., Oneida, N. Y.*
SUBJECT: Your telegram dated May 4 reference brief statement on OPA regulations.

DEAR SIR: Originally I was heartily in favor of OPA since I thought it would be an organization which would prevent inflation and keep prices down. Experience indicates—

First, that the problem is too big for it;

Second, that you cannot control prices without controlling other segments of our economy, such as wages and farm prices; and

Third, that it is now the most inflationary organization the country has had throughout the past 6-month period, for it has been responsible for the following developments:

The stifling of production.

The creation of uncontrolled black markets, for the very fact that the trading is illegal makes the purchaser willing to pay far more than otherwise.

By constant warnings about run-away prices, the OPA is encouraging overbuying and hoarding on the part of retailers, wholesalers, manufacturers, and consumers.

I am heartily in favor of discontinuing OPA as soon as possible and believe that the bill, as passed by the House, represents the maximum of tolerance.

Yours most sincerely,

MILES E. ROBERTSON,
General Manager, Oneida, Ltd.; Chairman, Silver Plated and Stainless Steel Flatware Manufacturers, Industry Advisory Committee.

BRIDGEPORT, CONN., *May 11, 1946.*

REX J. HOWARD,
Washington, D. C.:

You are authorized to withdraw my telegram of May 9 and replace with the following: "After very careful thought and consideration it is the feeling of the Industry Advisory Committees of the Sporting Arms and Ammunition Industry that they prefer not to express an opinion on pending price legislation."

W. G. DAVIS,
Chairman, Small Arms Industry Advisory Committee.

MANSFIELD, OHIO, *May 9, 1946.*

HON. ROBERT F. WAGNER,
*Chairman, Senate Banking and Currency Committee,
Senate Office Building, Washington, D. C.*

Answering your telegram some manufacturers of small electrical appliances have definitely expressed themselves in favor of abolishing price controls in the belief that competition among producers will effectively regulate prices while another substantial portion are not against pending legislation to extend price control but are unanimous in urging that controls be more fairly and more realistically administered. Pricing should be based upon actual material cost increases rather than upon theoretical ones, and full consideration should be given to labor cost increases whether workers are classed as production workers or in overhead expense. Failure to do this will mean that manufacturers cannot long continue to merchandise at a loss and obviously this will in the end mean fewer appliances for consumers. A Survey by Price Aterhouse Co., certified public accountants, was recently submitted to OPA by our industry and it disclosed that based upon same production volume achieved in 1941 by 15 representative manufacturers producing a substantial portion of our industry volume their average profit based upon February 13, 1946, cost and selling prices had shrunk to an indicated margin of less than nine-tenths of 1 percent. However, as 1941 volume still has not been reached substantial losses are indicated for some of these companies and this is before the impact of the new wage price formula of February 13 had been felt. We also urge necessity of speedier action by OPA on either individual or industry-wide requests for relief and we recommend decontrol of any specific product when 1941 rate of production has been reached for two consecutive months.

RALPH SORENSON,
*Chairman, Small Electrical Appliance Manufacturers
OPA Industry Advisory Committee.*

UNITED STATES TOBACCO CO.,
New York 20, N. Y., May 9, 1946.

Senator ROBERT F. WAGNER,
*Chairman, Senate Banking and Currency Committee,
Senate Building, Washington, D. C.*

DEAR SIR: Your invitation of May 3 to me as chairman of the Snuff, Smoking and Chewing Tobacco Industry Advisory Committee for an expression or statement regarding price control, which you desire to include in the transcript of the report of the Senate Banking and Currency Committee, is greatly appreciated.

A copy of your telegram was sent to each member for his individual expression, as it was impossible to have a committee meeting due to the time limit. Replies have been received from eight members of the committee, and it is the consensus of opinion that the continuation of price controls on snuff, smoking tobacco and chewing tobacco products is unnecessary in view of the fact that the supply of such products exceeds the demand for them and, in a highly competitive industry, termination of price controls would not occasion inflationary increases.

As chairman of the Snuff, Smoking, and Chewing Tobacco Industry Advisory Committee, it is my belief that the control of prices for these products by the Office of Price Administration is no longer necessary or desirable to attain the purposes expressed in section 1 of the Price Control Act of 1942, as amended.

Very truly yours,

J. W. ABBOTT,
*Chairman, Snuff, Smoking, and Chewing Tobacco
Industry Advisory Committee.*

BOSTON, MASS., May 8, 1946.

HON. ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Washington, D. C.

The OPA in refusing to recognize increased costs has caused such changes in the pattern of production as to make a disproportionate quantity of high-priced products available for purchase. The situation appears to be beyond correction by amendment of the present law and I therefore strongly recommend that there be no extension of the price control law.

J. C. MAHONEY, *Chairman (Soft Fibers Manufacturers) Industry Advisory Committee OPA.*

E. M. HILL LUMBER CO., PITTSBURGH

HON. ROBERT F. WAGNER,
Chairman, Banking and Currency Committee,
United States Senate,
Washington, D. C.

DEAR MR. CHAIRMAN: In reply to your telegram of the 3d, I wish to advise that I appreciate the opportunity of stating briefly to you the attitude of myself and committee on price control in our industry.

Our committee has worked as a unit for 4 years unselfishly and sympathetically with OPA, but finding the frequent turn-over in OPA personnel most discouraging.

You have before you the testimony of our industry representatives before the Banking and Currency Committee of the House, and you have heard Mr. Clifford bring to your committee the attitude of our industry toward OPA. I now wish to bring to you some conclusions based on intimate knowledge of OPA's policy, thinking, and action.

Our committee started last May to urge OPA to get ready for VJ-day, when realistic changes in the price structures would be necessary to produce the items necessary for a peacetime demand. No attention was paid to this advice, and it was not until after VJ-day that OPA began even to consider the necessary changes in the regulations. It was March 1, 1946, before the fir regulation was changed, and in the last 2 months OPA has been frantically making changes in the other regulations, due, I feel sure, to the fact that they are fighting for continuance and that they have finally realized what a deplorable situation the lumber industry is in.

However, these changes have come too late to remedy the situation, for the black-market operators control the lumber industry today.

This is due to four causes:

First. Insufficient price to the producer.

Second. Lack of enforcement with compliance activity confined to fining small dealers for unintentional and trivial violations, when large and flagrant violations at the mill level are overlooked, or where large fines were established and settlements made for nominal amounts or nothing at all collected.

Third. In the mill regulations OPA has seen fit to establish a price above the regular ceiling for sales to consumers only for use within 25 miles of the mill. This differential is \$6 in yellow pine, \$3.50 in fir, and \$3 in western pine. As a result of this set-up, a large percentage of yellow pine is being sold to truckers and others who resell it to consumers at a much higher price than if it went through the normal channels of distribution. This practice is growing rapidly in the West, so that even retail yards in the producing area have no lumber.

Industrial consumers and retail yards cannot pay the overage to the mill without being in violation, so that the black-market operator is a preferred buyer at the mill level. There can be no defense for a situation where OPA gives the crook a preferred buying position over the honest and established buyer.

Fourth. OPA has recently issued amendment 20 to MPR 215, which practically invites the mill to sell its lumber at the retail ceiling instead of the mill ceiling. It is true that certain restrictions are set up, but little attention is being paid to them. This results again in higher prices for lumber, and bad distribution.

That OPA is definitely interested in profit control as well as price control is evidenced by its absorption policy. This is probably the most unpopular policy it has adopted and particularly in an industry such as the retail lumber industry which has had to continually absorb costs of remanufacturing lumber into the

sizes needed for civilian demand, costs of overweight, costs of fancy grades shipped by the mills, and numerous other items, with the result that the retail dealer has never been able to realize the mark-up allowed by OPA.

The application of the absorption principle and tests used for ability to absorb have been definitely unfair, with the result that the inefficient operator has benefited and the efficient operator has been penalized. This problem should be solved by guaranteeing to the dealer a fair percentage of profit on sales, and the simplest way to do this is to guarantee the dollar and cents mark-up over cost, which the dealer was allowed on January 1, 1945, which date precedes the application of the absorption policy.

OPA has made a strong claim of holding the line and preventing inflation. I want you to see the picture that exists in the lumber industry and have selected as a level the cost of all species of lumber bought by us in certain years:

Cost f. o. b. Pittsburg all grades and species

1918.....	\$36. 00	1940.....	\$42. 10
1919.....	40. 00	1941.....	46. 00
1920.....	53. 00	1942.....	52. 00
1921.....	46. 00	1943.....	55. 92
1922.....	41. 30	1944.....	60. 32
1939.....	40. 22	1945.....	60. 66

With new regulations in effect, this price will be between \$65 and \$70 for 1946. These are legal prices, and the black-market prices are much higher. Even OPA prices are considerably higher than they were in 1920. If OPA was really holding the line, I would be working for them and with them, but they are fighting a rear-guard action in our industry and it is now practically a rout.

OPA will admit that the lumber industry is in a terrible mess and they would welcome some solution to it, but the situation has gotten out of control and I do not believe there is any solution under regulations to it.

OPA's position is that if restrictions were removed from the lumber industry there would develop a worse mess than the one that exists today, but my contention is that it would be an honest mess and not a dishonest one, as we have today.

With this picture of our industry, which I have given you, I have finally but definitely come to the conclusion that as far as the lumber industry is concerned, all price restrictions should be removed, and I am firmly convinced that the industry itself will do a better job of increasing production and getting prices back to a normal level than is being done or can be done by OPA.

The honest operators in all branches of the industry, who are in such an intolerable position today, will take pride in doing such a job.

From my long association with OPA, and my knowledge of its operations, I feel justified in taking the position that the solution to the problems in the lumber industry lies not under regulations but outside of them.

In closing, I would like to say that the opinions I have expressed are fully endorsed by all members of our committee.

Yours very truly,

E. BRUCE HILL,

Chairman, Softwood Lumber Distribution Yard Advisory Committee to OPA.

MOBILE RIVER SAW MILL CO., INC.,
Mt. Vernon, Ala., May 7, 1946.

SENATOR ROBERT F. WAGNER,
United States Senate, Washington, D. C.

DEAR SENATOR WAGNER: In response to your wire I am enclosing herewith three copies of a statement which I will appreciate your filing with the transcript of the Senate hearings on legislation for the continuation of price control.

As will be noted, I have reached the firm conclusion that there is no way to prevent OPA from doing far more damage than good.

Thanking you for your telegram and with best wishes, I am

Sincerely yours,

LEE ROBINSON

(Southern Hardwood Lumber Industry Advisory Committee.)

STATEMENT BY LEE ROBINSON, PRESIDENT, MOBILE RIVER SAW MILL CO. AND
CHAIRMAN OF SOUTHERN HARDWOOD OPA ADVISORY COMMITTEE

Whereas I was in complete agreement with the statement presented to the House by Mr. R. A. Colgan and later presented to your committee, the situation has changed so radically since then, that I do not believe the OPA can be changed enough to make it function without serious damage to our economy. I state this without reservation, regardless that I have been a very vigorous adherent of price control both publicly and privately and have perhaps spent more of my time trying to make it work than has any other lumberman.

The unbelievable expansion of the black market is the reason for the change in my view. Of course, there has always been a black market, since controls have been very confining and many ordinarily good citizens have participated in it, through desperation in addition to the usual percentage of crooks, and also throughout very large geographical sections, there has been little or no enforcement.

Today, it has literally reached the proportion in lumber to where, the black marketeers, through competition with each other, have driven the cost of raw materials up to where everyone is going to have to decide whether he must quit business or joint their ranks.

The mills can only buy at black-market values for logs and stumpage and the retail and industrial buyers of lumber can find only a small proportion of their requirements at legitimate prices, and black-market prices are daily pyramiding. This is progressively driving the good mills out of business and will prevent the increased production which is the only cure for the situation.

Another angle which is just as bad as that of inflation of costs is not only in the enormous prices being paid by reason of very inferior quality. The black-market mill invariably quits separating his lumber for grade and ships it green from the saw, all grades together and even with the species often mixed.

The buying public has to use it in this manner, which usually doubles or trebles the lumber cost of building and manufactured articles as against using a well dried, graded item of the size and grade most suitable for each requirement. For instance, almost invariably, a high-grade requirement has to be filled by buying mill-run lumber and on the other hand the low-grade requirement also has to buy the same mill run.

The using of green lumber for most purposes is also not only a terrific cost and waste but in reality nothing but the shoddiest building or article can be made from it.

Yet under our system of price control, which has been largely left to enforce itself regardless of all its complications, we have reached the point where it is becoming progressively impossible to produce lumber in any other manner without a heavy loss.

Of course, a very pertinent question is what will happen if price control is discontinued. OPA has quite correctly said that we will then have plenty of confusion, regardless of when.

I am sure that anyone who has made a careful study throughout the United States will agree that as long as OPA lasts many commodities, particularly including lumber, will become increasingly more scarce, with rapidly increasing prices, with lowered quality, and with an increasing breakdown of proper and economic distribution.

Summarizing, we have reached the point where OPA is not only failing to accomplish its purpose in many commodities but is really creating inflation, and the longer it is postponed the greater the confusion will be and the longer it will take to repair the damage it has created.

NEW ORLEANS, LA., May 9, 1946.

HON. ROBERT F. WAGNER,
*Chairman, Senate Banking and Currency Committee,
Senate Office Building, Washington, D. C.*

Replying your telegram May 4. Owing to present chaotic condition in southern pine industry I advocate immediate abolition of OPA. This in my opinion is the only solution to insure increased production and proper distribution. If, however, it is deemed necessary in the nation's interest that price control be continued then it becomes necessary that some workable revisions of present law be enacted and I recommend: (1) To establish price ceilings so that at least 90 percent of produc-

tion can operate on a profitable basis. This has been recommended many times by my committee; (2) consider lumber production costs only in setting lumber prices, not the over-all profit position of a company which might also be engaged in various other lines of endeavor; (3) figure the cost of our raw material assets—our stumpage—at its current market value; (4) make decisions within a reasonable time after consultations with industry advisory committees; (5) use current costs of production in determining price ceilings.

C. E. KLUMB,
*Chairman, Industry Advisory Committee to OPA,
 Southern Pine Lumber Industry Advisory Committee.*

JOHN C. SHEPHERD LUMBER CORP.,
Charlotte, N. C., May 7, 1946.

HON. ROBERT F. WAGNER,
*Chairman, Senate Banking and Currency Committee,
 Washington, D. C.*

HONORABLE SIR: I thank you for your telegram of May 3, and I am taking advantage of submitting herewith a brief statement concerning pending legislation to extend price control, which I trust may be of some value.

Sincerely yours,

J. ALEX McMILLAN,
Southern Pine Subcommittee 19A Log Run, Industry Advisory Committee.

I would first like to state that I have been in favor of price control. It was necessary to the successful prosecution of the war and I feel has been necessary in the reconversion period. We still need price control on many commodities and services such as lumber and particularly southern pine lumber, however, some changes in policy are necessary if the act is to be extended.

The OPA formula for determining prices based on industry-cost statements has been too rigid. They have contended that an average price sufficient to enable 75 percent of an industry to break even or better is the proper ceiling price to apply. They have stuck to this despite the extreme shortage of all commodities and at a time when we have needed 100 percent of production and protection for at least 95 percent. Any extension of the act should have a requirement by the Congress that the average price of a commodity shall protect 95 percent of that industry.

Further, a more realistic attitude should be taken toward industry-cost statements. Raw materials, such as standing timber in the case of lumber regulations, should be figured at market value rather than book value. For example, a lumber mill may be in the fortunate position of having large timber holdings that stand on its books at \$5 per thousand feet. His cost statement to OPA is based on \$5 stumpage. Five dollar stumpage is far below the true market value. Another mill, in order to operate (and we need all of them) must pay \$15 per thousand feet for stumpage, which is close to true value today. So his cost statement reflects a \$15 stumpage value. Therefore when the average is figured only those mills in the most fortunate position on their raw materials are fully protected. This means that a sizeable segment of the industry has no incentive to produce and production is the key to a final stabilization of prices.

I believe that reasonably profitable price ceilings will mean big production and a final happy solution to our inflation problem. But as long as reasonable profits are not allowed, production will not meet demand and as long as production does not meet demand, OPA will say price ceilings are needed.

You have three choices as I see it. First, a continuation of the present law and present policy, which is forcing lumber people out of business every day or forcing them into the black market (now estimated in lumber at about 60 percent). Second, by amendments to the act, requiring a more realistic price policy as outlined above, which I believe would bring out the production without run-away markets. Third, to allow the act to expire at the end of June with a possible wild inflation resulting. I favor the second choice, which will permit reasonable profits with incentive to produce.

I would like to add this. If OPA is extended, proper enforcement must be carried out, otherwise, there will be an utter disregard for the law and finally we will have complete chaos, and a price-control act without price control.

The statement here submitted by me is with my sincere good will and wishes for the welfare of my country. I am interested in the well-being of all groups of our citizenry and wish with all my heart for a quick return to normal healthy living for everybody. Thank you for the opportunity of making this statement.

Respectfully submitted.

J. ALEX McMILLAN,
Southern Pine Subcommittee, 19A Log Run, Industry Advisory Committee.

NEW YORK, N. Y., May 8, 1946.

HON. ROBERT F. WAGNER,
*Senate Committee on Banking and Currency,
Washington, D. C.:*

I have your telegram of May 3 advising me that the Senate Banking and Currency Committee will include in its transcript any statement I might desire to submit concerning pending legislation to extend price control. The opinions on this subject expressed to me from time to time by members of the spice industry are not uniform. Experience in the industry, however, and my work on the Spice Industry Advisory Committee, have led me to the belief that it is desirable for the welfare of our Nation for price controls to be extended beyond June 30, 1946, but that the legislation extending these controls be so framed as to effectively provide for the following:

First. The removal of controls on specific items promptly, whenever these controls are no longer efficacious, or tend to retard production.

Second. Prompt administrative attention to requests for price relief. In the past, applications for relief have been dealt with so slowly that even though finally approved, relief was inadequate because of the great delay.

Respectfully,

JOHN MAX WEYER,
Chairman, OPA Spice Industry Advisory Committee.

NEW YORK, N. Y., May 10, 1946.

Senator ROBERT F. WAGNER,
Senate Office Building, Washington, D. C.:

In answer to telegram my response reflects the constantly reiterated unanimous position of members of Sportswear Advisory Committee that they favor continued price control but that maximum average price program retards production of popular and medium price ranges of apparel and should be dropped.

HENRY J. PERAHIA
Chairman, Sportswear Industry Advisory Committee, OPA.

NEW YORK, N. Y., May 8, 1946.

*United States Senate Banking and Currency Committee,
Senate Office Building Washington, D. C.:*

As chairman of industry advisory committee to OPA recommend its extension without amendments passed by the House which would render the agency ineffective. Believe OPA in general has done good work despite some mistakes and rulings causing certain inequities. Our feeling continued price control at this time necessary to prevent inflation causing disaster to American economy.

EDWIN STEIN,
President, Stein Hall & Co., Inc., Starch Adhesives and Tapioca Flour Industry Advisory Committee.

CLEVELAND, OHIO, May 7, 1946.

ROBERT F. WAGNER,
*Chairman, Senate Banking and Currency Committee,
Senate Office Building, Washington, D. C.*

Re tel.: I believe that present OPA is unnecessarily retarding full production of goods badly needed by the people of the country. The OPA should be abolished. Producers and sellers need a reasonable profit based on 1940 earnings and by

removing products from price control as soon as supply of each product equals demand and by doing away with the endless red tape involved in present administration of the act.

REPUBLIC STEEL CORP.,
W. J. BETZLER,
Chairman, (Steel) Industry Advisory Committee, OPA.

CHICAGO, ILL., May 9, 1946.

HON. ROBERT F. WAGNER,
Senate Office Building, Washington, D. C.:

Retel May 3d: As administered OPA is almost a complete failure encouraging uncontrolled black markets which compel purchasers to pay higher than ceiling prices for necessities or do without. Also permits new industries to manufacture articles and charge in excess of filed prices of existing producers. The chaotic condition in the packing industry and shortage of meats, shirts, etc., except from black market sources, should be all the evidence necessary for curtailing OPA as quickly as possible. Am confident except for possibly a limited period until production reaches maximum removal of OPA control other than for rents will not establish much higher prices, at least not exceeding those charged by black markets. Press reports of over \$5,000,000 paid to the Internal Revenue Department last few days for income taxes by black-market operators indicates scope of this practice. The war is over and let's have honest prices and markets free from subsidies and the economy of our country will quickly become normal.

W. J. HAMMOND,
Vice President, Inland Steel Co., Steel Industry Advisory Committee.

SHARON, PA., May 8, 1946.

HON. ROBERT F. WAGNER,
*Chairman, Senate Banking and Currency Committee,
Washington, D. C.:*

Retel May 3d: We believe that price control without labor control is futile and encourages black markets. If Congress will give industry a chance to operate by enacting legislation to curb labor dictators industry will manage to live with price control even the poorly administrated type we now have in effect. But if Congress does not do something soon we will lose out completely on reconversion and will have to sit helplessly by and watch all of our foreign trade be taken over by the European countries just as it was after the First World War. There are no strikes in Europe.

SHARON STEEL CORP.
D. B. CARSON,
Steel Industry Advisory Committee.

EAST ST. LOUIS, ILL., May 7, 1946.

HON. ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee:

In reply to your telegram regarding a brief statement concerning the pending legislation to extend price control I would like to state that the extension of the Price Control Act is not necessary as applied to the steel casting industry. Production in our industry during wartime reached a peak of approximately 175,000 net tons per month and has now dropped to less than half that tonnage. Price control is not required on any product when the supply far exceeds the demand.

C. I. HARRELL,
Chairman, Steel Castings Industry Advisory Committee to OPA.

NEWARK, N. J., May 9, 1946.

HON. ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee, Washington, D. C.

Consensus of Steel Warehouse and Jobbers Advisory Committee is that as OPA was an essential war measure and as such extension should be brief to permit decontrol as rapidly as a reasonable balance between supply and demand is estab-

lished and that methods of procedure be written into the act to guarantee that OPA follow the exact intent of Congress in order to prevent such practices as absorptions at retail and distributors levels and that base earning period be revised to include more representative years.

WILLIAM G. CARTER,
Chairman, Steel Warehouse and Jobbers, Industry Advisory Committee.

NATIONAL INDUSTRY ADVISORY COMMITTEE,
Chicago 2, Ill., May 7, 1946.

HON. ROBERT F. WAGNER,
*Chairman, Senate Banking and Currency Committee,
United States Senate,
Washington, D. C.*

DEAR SENATOR: In response to your telegraphic request of May 3, 1946, I offer the following historical outline of OPA activities as they affect this branch of industry; the current group thinking on the continuation of OPA; and a list of facts which should have careful study by your committee before final action on pending legislation is taken.

We go back to the period shortly before VJ-day to lay the basis of the viewpoint of the sash and door jobbers of the United States in relation to the work of the Office of Price Administration. Our industry is composed of warehouse jobbers of stock wood windows, doors, interior house trim, house moldings, kitchen cabinets and the like, each such jobber serving retail lumber dealers over an adjoining area of about 100 miles or more, a total of 500 such jobbers quite uniformly spaced throughout the 48 States of the Union.

At VJ-time, in the fall of 1945, the sash and door jobbing industry made a survey of existing warehouse inventories, which revealed that stocks of jobbers were approximately at a 50 percent status compared to normal needs. Jobbers were rather uniformly convinced that both WPB and OPA had done an altogether acceptable wartime job. With the approach of the end of the fighting war, sash and door jobbers sensed the responsibility that would be theirs to supply the impending great need and demand for their merchandise to satisfy the huge pent-up flow of orders.

Turning to their sources of supply, to the producers of stock woodwork, these jobbers were given the assurance, based on a survey taken in the manufacturing industry, that, other things being equal, ample supplies of doors, windows, and the like should be available very early in the reconversion period. Thus the Woodwork Industry as a whole—producers, warehouse jobbers, and the 23,000 retail lumber dealer local distributors—felt fully confident of their ability to respond successfully to almost any reasonable demand which might be laid upon it to meet the demands of postwar housing.

As things eventuated, it developed that the termination of WPB in November of last year was premature, but far worse was the palpably stupid procedure of OPA in denying ceiling price advances to lumber producers to compensate for the more or less unbridled privilege granted labor to demand much increased wages. The story has been told so often with support of authenticated data that it is needless to repeat it here. Suffice it to say for our specific reference that so-called shop lumber grades of western pine, from which woodwork is largely manufactured, already at a dangerously low ebb from wartime utilization for overseas crating and packaging, fast dwindled to the vanishing point, aggravated by the fact that OPA, most illogically, continued for some months beyond the cessation of hostilities the preferentially high ceiling prices for shop lumber when used for manufacture of shipping cases, this to the great detriment of channeling such lumber back to woodwork production.

This situation resulted quickly in reducing supplies of woodwork to such an extent that today hosts of woodwork jobbers have only 10 to 20 percent of normal merchandise inventories and of such broken assortment as to make it impossible even for a very large jobber to fill a requisition for one single small house job. Some jobbers have entirely withdrawn from quoting and shipping. Meantime a few weeks ago, under terrific pressure from OPA, OPA finally granted West Coast pine lumber producers an advance of \$4.50 per thousand feet board measure to encourage production, with a corresponding advance for stock woodwork producers to compensate for higher shop lumber and labor costs. Jobbers, however, are held largely to price advance absorption, being denied the right to receive any mark-up on price advances occurring after March 1, 1946.

The situation for woodwork jobbers, in view of no merchandise to sell and in the face of vanishing sales volume and profits, has become so critical that the following considerations are in the forefront of their thinking:

First. They demand the right to continued business existence because they fill a need in the national economy, because they constitute an industry which over the course of more than a century has exemplified the character of decentralization (in contrast to monopoly) which has made our country great and healthy from a business standpoint. They insist they must not be crowded from the national scheme by OPA jurisdiction which has demonstrated that planned economy is unequal to cope successfully with supply and demand, let alone the ability to hold black market conditions in check and to determine ceiling price levels in keeping with wage increases.

Second. While a recent national survey among woodwork jobbers shows 79.6 percent ready to have OPA completely terminated, they yet would yield to the judgment of Congress if in its opinion OPA must be continued for a limited time beyond June 30, 1946, provided, however, that Congress so order the future jurisdiction of OPA to assure safe and sane procedure and speedy approach to a time when OPA may be dispensed with entirely.

PERTINENT FACTS FOR CONSIDERATION

1. The volume of business of the jobber of millwork is currently dependent upon the lumber supply which reaches the millwork manufacturer. For more than 6 months, OPA has known that readjustment of prices on certain lumber grades at producing levels was necessary to channel lumber correctly to produce the necessary material for required housing. During that time, no such changes were made, and inflation is definitely under way through black market operation as well as through ill-advised but "legitimate within the law" practices.

2. Price increases recently given lumber manufacturers are insufficient to bring out lumber of necessary grades. A "straight across the board" increase never will bring out specific items because grade relationships are maintained.

3. Price increases large enough can never be provided under OPA rules to meet illegitimate prices paid for raw material. Firms following the intent of the orders are being made to suffer because they are so doing.

4. Millwork jobbers' working inventories are roughly 10 percent of normal and cannot be increased by reason of the lack of the particular lumber grades required at millwork manufacturing plants.

5. Volume is so low (inability to secure merchandise) that many jobbers are being forced to lay off employees and can only operate in red figures. This situation will increase in its intensity and continue for months to come.

6. OPA base period calculations in the jobbing industry are on an extremely low basis because of conditions obtaining in the base period chosen.

7. The dollars and cents pass-along policy is, therefore, eminently unfair. All business costs have increased through government action (wages, trucking and freight rates, supplies) but no cognizance has been given or any action recently taken by OPA. The pass-along idea for this industry covered by Amendment 11 to MPR-525 was issued without any consideration whatsoever being given to this Committee or to industry.

8. Profit guaranty formula and dollar and cents pass-along policy has produced pure profit control for jobber and dealer. With continued short supply, the inevitable result is either reduced profit or increased loss.

9. Careful investigation of OPA action on moldings is suggested to your Committee as an example, two and one half years of effort on the part of industry with OPA has resulted in no production of moldings. Moldings were being produced before OPA produced MPR-601.

10. No individual or group of individuals can write rules which cannot be circumvented. Honest men are beginning to question the value of honesty. To eliminate that quality seems to some the only way in which they can't keep from losing at least part of that which has taken years to build up.

11. Lack of ability to enforce OPA regulations, together with short supply resulting from lack of knowledge of application of controls or understanding of business, plus lack of manpower within OPA to adjust price regulations quickly, has allowed distribution, production and sales methods to become so disjointed that it now appears impossible to correct the situation.

12. Propaganda produced by OPA (telling but selected portions of the story) designed to conceal inflation has no place in good government. OPA is constantly producing a progressive inflation by preventing production of goods in quantity.

13. Mr. Bowles' statement "prices must not be allowed to interfere with pro-

duction. There must be speedy decisions on wages and price questions." Prices are interfering and any speedy decision on the part of OPA has yet to be seen in this industry.

14. The spiral of inflation is being accelerated by shortages. The machinery does not exist to stop it. The inevitable crash is ahead, OPA or no OPA. It can only be held off a limited amount of time.

15. The abolishment of OPA may bring the crisis more rapidly. If so, the results in total and overall will be less disastrous. Better to allow usual forces of supply and demand govern and allow things to adjust themselves. Capital then will be conserved, now it is slowly being dissipated. Lumber and lumber products distribution has been turned up-side-down from the standpoint of geographical areas through regulations based on lack of understanding of industry practices.

16. If OPA can be efficiently administered (and that involves honesty, intelligence, energy) on cost of living items only and on no others, it may still turn out to be a force for good. There is some question that a part of the economy can be controlled—and not all. Day to day shortages testify to that.

17. The Wyatt program could be taking form in a much accelerated fashion were it not for OPA ceilings which are limiting production to items on which the manufacturer can make a profit. Historical markups applied to today's cost would bring out goods most in demand. A simple control would be to limit markups to those which can be proven by existing records to have been in effect at a given time. Shortages would then be quickly eliminated.

Yours very truly,

S. S. COOK,
*Chairman (National) Stock Millwork Jobbers
OPA Industry Advisory Committee.*

OWENSBORO, KY., May 9, 1946.

Senator ROBERT F. WAGNER,
*Chairman, Senate Banking and Currency Committee,
Senate Office Building, Washington, D. C.*

Since supply of petroleum and refined products now exceed demand, I see no further need for price control over the oil industry.

M. A. ARVIN,
*Chairman (Stripper Well for Kentucky)
Industry Advisory Committee, OPA.*

EXTENSION OF PRICE CONTROL

(Presented by Edward G. Kadane, chairman, (OPA (Stripper Well) Industry Advisory Committee for North Texas to the Senate Banking and Currency Committee)

The invitation from Senator Robert F. Wagner, chairman of the Senate Banking and Currency Committee, to submit this statement is sincerely appreciated.

I have served the OPA for several years in two capacities, one as fuel rationing official throughout that program and two, as member of the Stripper Well Industry Advisory Committee for western and northern Texas.

Unlike many other, I have defended rather than criticized this agency because in my opinion the good that was done during the war emergency was of greater value than the maladjustments for which the OPA has been blamed (even though many of the later could have been avoided).

Our function as a stripper well advisory committee was to assist OPA in gathering factual data in the assigned area, needed by that Office in determining whether certain pools or oil fields were entitled to receive stripper-well subsidies. In lieu of an adequate price for crude oil, these subsidies have been helpful in enabling a number of operators to continue producing the much needed oil during the war.

Industry advisory committees, both regional and national, have been and are cooperating with the Office of Price Administration. The members of these committees were selected by the Office of Price Administration. These industry representatives have been subject to call by OPA any time that agency desired their services. They have responded to those calls on many occasions. OPA chooses to accept or reject the advice of these industry representatives. I am certain that these committees have offered advice which, in their judgment, was sound and helpful to OPA.

As an example of the close cooperation between OPA and industry, the National Crude Oil Industry Advisory Committee and the National Refiners' Industry Advisory Committee met with OPA, in response to a call from that office, at Chicago, Ill., May 3 and 4, 1946, for the purpose of considering the standards under which the Office of Price Administration operates with regard to decontrol and to answer the questions which that office raised with regard to the petroleum situation and the industry's position on decontrol.

Their joint report to the Office of Price Administration adopted at Chicago, Ill., May 4, 1946, presents the position of the petroleum industry on OPA price control. That report points out "that the urgent need of the petroleum industry is the restoration of an economy freed from the artifices of price control".

Since this report provides the industry's answer to many questions that no doubt are now present in the deliberations of your committee, I wish to offer the report as part of this statement and I ask that it be included in the record.

I see no reason for further continuation of price controls on crude oil or refined petroleum products. Stocks of crude oil and the four major refined products have increased since the close of hostilities. Productive capacity exceeds demand. Petroleum prices are low. Removal of price controls now should take into consideration the fact that some upward revisions in petroleum prices are necessary. Price controls contribute to situations of scarcity of different products—it is not possible to know just what changes will occur when controls are removed. I am convinced, however, that the existence of adequate productive capacity and of strong competition in the industry will provide the necessary protection against unreasonable prices. Some price changes are necessary and removal of controls will tend to bring about these necessary adjustments which will be helpful in maintaining a healthy going industry and will be in the interest of the consumers of petroleum products who are entitled to the assurance of dependable supply.

With regard to the effect of removal of price control on stripper well operators who are now receiving subsidies, the needed increases in crude oil should offset in part, if not in full, the elimination of subsidies. The joint advisory committees stated, "the average price of crude oil could advance at least 25 cents per barrel as recommended by the Petroleum Administration for War, several congressional committees, and your advisory committee, and would still be well within the pattern of price increases already established for practically all other basic war materials."

There is no sound reasoning to the belief that termination of price controls in the petroleum industry will lead to an inflationary trend. Steel and steel products were recently granted substantial price increases with no adverse effect upon consumer prices.

The petroleum industry is capable of meeting all foreseeable requirements. Removal of price control will permit restoration of normal operations and full employment. Competition will prevent any inflationary price increases. Decontrol must be by direction of Congress and not a matter to be left to the judgment of the Office of Price Administration. Industry advisory committees can be helpful and are best qualified to determine when an industry should be decontrolled. The American petroleum industry through its advisory committees has presented to the Office of Price Administration its position on removal of price control on petroleum.

I urge you to give effect to the recommendation of those committees by placing upon the industry its full responsibility of meeting the requirements of the American consuming public—give the industry freedom to work out those problems without the shackles of Government price controls.

WICHITA FALLS, TEX., *May 8, 1946.*

OFFICERS AND MEMBERS OF THE NATIONAL CRUDE OIL INDUSTRY ADVISORY COMMITTEE

Chas. F. Roeser, chairman, president, Roeser & Pendleton, Inc., Fort Worth, Tex.

Carl E. Reistle, Jr., vice chairman, chief petroleum engineer, Humble Oil & Refining Co., Houston, Tex.

James V. Brown, secretary and treasurer, Independent Petroleum Association of America, Washington, D. C.

Russell B. Brown, counsel, Independent Petroleum Association of America, Washington, D. C.

George S. Bays, consulting and research engineer, Stanoland Oil & Gas Co., Tulsa, Okla.

Merle Becker, vice president, W. C. McBride, Inc., St. Louis, Mo.

D. Harold Byrd, president, Byrd-Frost, Inc., Dallas, Tex.

J. P. Coleman, petroleum economist, McCarty & Coleman, Wichita Falls, Tex.

Wilson B. Emery, vice president, The Ohio Oil Co., Findlay, Ohio.

Richard Fenton, executive vice president, California Stripper Well Association, Los Angeles, Calif.

B. A. Hardey, chairman, Louisiana Mineral Board, Shreveport, La.

Edwin W. Hayes, independent producer, Independence, Kans.

James W. Johnson, Consolidated Gas Co., Shelby, Mont.

J. P. Jones, independent producer, Bradford, Pa.

Raymond B. Kelly, division manager, The Pure Oil Co., Olney, Ill.

Dana H. Kelsey, vice president, Sinclair Prairie Oil Co., Tulsa, Okla.

H. M. McClure, president, National Stripper Well Association, Alma, Mich.

W. H. Morgan, Long Beach, Calif.

John G. Pew, assistant to vice president and director, Sun Oil Co., Dallas, Tex.

E. P. Potter, treasurer and controller, Amerada Petroleum Corp., New York, N. Y.

E. B. Reeser, director, Barnsdall Oil Co., Tulsa, Okla.

Albert C. Rubel, vice president, Union Oil Co. of California, Los Angeles, Calif.

J. D. Sandefer, Jr., independent producer, Breckenridge, Tex.

Howard J. Whitehill, president and general manager, the Whitehill Oil Corp., Tulsa, Okla.

OFFICERS AND MEMBERS OF THE NATIONAL REFINERS INDUSTRY ADVISORY COMMITTEE

C. L. Henderson, chairman, president, the Vickers Petroleum Co., Wichita, Kans.

Sidney A. Swensrud, vice chairman, vice president, Standard Oil Co. of Ohio, Cleveland, Ohio.

M. E. Foster, secretary and treasurer, Phillips Petroleum Co., Bartlesville, Okla.

Norman Meyers, attorney for the committee, Shoreham Building, Washington, D. C.

W. H. Beekhuis, assistant comptroller, Standard Oil Co. of California, San Francisco, Calif.

W. H. Bennett, vice president and treasurer, Frontier Fuel Oil Corp., Buffalo, N. Y.

Paul G. Blazer, chairman, Ashland Oil & Refining Co., Ashland, Ky.

John W. Boatwright, manager, sales research department, Standard Oil Co. (Indiana), Chicago, Ill.

Neil Buckley, vice president, Taylor Refining Co., Taylor, Tex.

Stewart P. Coleman, head, economics department, Standard Oil Co. of New Jersey, New York, N. Y.

L. T. Cramer, manager, sales administration, Continental Oil Co., Ponca City, Okla.

Max M. Fisher, vice president, Aurora Gasoline Co., Detroit, Mich.

Harry H. Fuller, manager bulk sales, Sinclair Refining Co., New York, N. Y.

William H. Garbade, assistant treasurer and assistant secretary, Shell Union Oil Co., New York, N. Y.

D. P. Hamilton, president, Root Petroleum Co., Shreveport, La.

Joe L. Hill, vice president, Southport Petroleum Co. of Delaware, Washington, D. C.

R. A. Hunter, manager fuel oil sales, Gulf Oil Corp., Pittsburgh, Pa.

C. A. Johnson, chairman, Socal Oil & Refining Co., Huntington Beach, Calif.

B. L. Majewski, vice president, Deep Rock Oil Corp., Chicago, Ill.

Joseph L. Nolan, manager, oil department, National Cooperative League Association, St. Paul, Minn.

Roland V. Rodman, vice president, Bay Petroleum Corp., Denver, Colo.

William L. Stewart, Jr., executive vice president, Union Oil Co., Los Angeles, Calif.

R. L. Tollett, president, Cosden Petroleum Corp., Big Spring, Tex.

J. S. Worden, manager of refining operations, the Texas Co., New York, N. Y.

W. S. Zehrung, president, Pennzoil Co., Oil City, Pa.

JOINT REPORT OF THE NATIONAL CRUDE OIL INDUSTRY ADVISORY COMMITTEE
AND THE NATIONAL REFINERS INDUSTRY ADVISORY COMMITTEE

The National Crude Oil Industry Advisory Committee and the National Refiners Industry Advisory Committee to the Office of Price Administration, meeting in joint session at the Stevens Hotel, Chicago, May 4, 1946, feel obligated to point out that the most urgent need of the petroleum industry is the restoration of an economy freed from the artifices of price control. It is our joint opinion that the average American consumer, the national economy, and the consideration of national defense will all be served best by the elimination of price controls on the petroleum industry. This position is predicated upon the firm knowledge of surplus capacities to produce in all phases of the industry which will lead inevitably to a restoration of keen competitive rivalry among various units of the industry. Competitive intensity over a period of years has been such that the index of petroleum prices as published by the Department of Labor show a decline of 63.5 percent of the base year, 1926, as compared with an index of 105.8 percent in prices generally, since the same base year. Petroleum prices were carried downward by competition notwithstanding the fact that the demand increased 126 percent during the same time period.

The economic forces that have been in operation throughout the war tending to raise the cost of finding, producing, and processing crude oil are inescapable and must be faced sometime. The longer prices are kept artificially from reflecting true costs, the more difficult will be the transition when price controls are finally removed. Price controls contribute to situations of scarcity of different products, which may be used a year from now, and contribute artificial arguments for continuing controls.

Such a philosophy would involve permanent continuation of wartime controls under the guise of preventing inflation. This is not believed to represent the intent of Congress or the American people. The experience since the war demonstrates that the petroleum industry is in a position to meet demands and has attained the situation in which OPA promises to remove controls. It is our firm conviction that restoration of the benefits of a free economy can only be made available to the American public by complete decontrol. The power to bring about decontrol seems to be clearly set forth in Directive No. 68, amendment No. 2, section 3, as follows:

"SEC. 3. The Price Administrator may recommend to the Economic Stabilization Director the suspension of price control with respect to any commodity or transaction, or the exemption of a commodity or transaction from price control, in any specific case, not falling within section 1 or section 2 of this directive, in which in his judgment such action is not inconsistent with the purpose of the stabilization laws."

Suspension will not accomplish desired results, as the industry will not be free to make needed modifications of petroleum prices without inviting reinstitution of price control. Suspension will maintain a sword of Damocles over the industry, preventing freedom of action in the execution of long-time plans for public well-being. Suspension of prices will but prolong the time period before the industry will be freed from price regulations. It will shift the onus of inadequate supplies of any given product necessary to meet any unusual demand from the judgment of OPA, to the oil industry. It will retard the introduction of economies resulting from technological or other improvements from being undertaken, as it may result in temporary profits above the mythical 1936-39 base period for evaluation.

Suspension will mean that some standard of measurement will continue to be applied to the oil industry to ascertain whether that industrial segment is violating the realm of "reasonableness" as judged by a small group of individuals, however able they may be. What are to be the standards of measurement to be applied? What is to be the basis of judgment? Our only answer thus far has been that profits must not exceed those earned during the arbitrarily selected base years 1936-39. The fairness of this base period has never been justified as representing normal earnings for the industry and the subsequent price freezing perpetuating inequalities previously existing. The policy of tying an industry back to such a fallacious base period is a denial of the basic principles of the free enterprise system. This is the adoption of a regimentation economy which will retard exploration, development, and research. It retards the introduction of needed economics. It halts the growth of an industry in the American economy demanding greater and greater petroleum supplies to meet an ever-expanding desire. It stops the normal or customary return on added investment necessary to serve this growing market.

It is our joint recommendation, therefore, that the Office of Price Administration, the Office of Economic Stabilization, place on the oil industry its full responsibility of meeting the requirements of the American consuming public. Give the industry the freedom to work out those problems without the shackles of governmental price control and it is our firm belief that it will find ways and means in the future, as in the past, of supplying the entire petroleum market at price levels which will continue to be lower than those reflected by the index of prices generally as published by the Department of Labor.

Having clarified our position in this respect, we hereinafter submit our best thinking concerning specific questions put to the committee by representatives of the Office of Price Administration. The answers to the following questions are believed to be equally applicable whether price control be eliminated temporarily or permanently. They are submitted as a cooperative effort on the part of the committees and represent, in the main, a reiteration of opinions previously presented to OPA.

Q. How does total demand, present and anticipated, compare with actual and potential crude oil production and refinery capacity?

A. 1. The petroleum industry in the United States produced 4,688,000 barrels daily of crude oil in 1945. The demand for domestic crude oil, according to authoritative estimates by various sources, will be 4,400,000-4,500,000 barrels daily in 1946. The Bureau of Mines has estimated the demand for crude oil from Texas to be 2,030,000 barrels daily in May, whereas the maximum efficient rate of production for the State, determined by the Petroleum Administration for War, is 2,121,000 barrels daily. Surpluses exist in other States also. This is evidence of excess productive capacity.

The record of production in relation to estimated demand shows that there is no reason to believe the States will fix production at a level below current consumption. It must be recalled that prices for crude oil decreased as well as increased prior to the war under similar State efforts to control production so as to eliminate waste.

Statistics are shown on the following page and on the attached chart, by years, since 1937, to demonstrate that production for the United States and Texas has been very close to the estimate of demand issued by the Bureau of Mines and by the Petroleum Administration during the war. To demonstrate the accuracy of State regulatory agencies, for example, in the first 4 months of 1946, Texas' production of 1,994,000 barrels daily exceeded the Bureau of Mines' estimate of demand by 37,000 barrels daily. It is reasonable to expect that the industry will endeavor to meet all demands in order to satisfy its customers and that the regulatory agencies will continue, as they have for years, to fix allowables in relation to demand. The comparison of production with the demand estimated by Government agencies is shown in thousands of barrels daily:

	United States			Texas		
	Estimated demand	Actual production	Production above estimate	Estimated demand	Actual production	Production above estimate
1937.....	3,344	3,505	161	1,338	1,398	60
1938.....	3,383	3,327	-56	1,354	1,304	-50
1939.....	3,463	3,466	3	1,403	1,325	-78
1940.....	3,583	3,697	114	1,333	1,348	15
1941.....	3,849	3,842	-7	1,372	1,385	13
1942.....	3,694	3,799	105	1,229	1,324	95
1943.....	4,123	4,125	2	1,598	1,628	30
1944.....	4,582	4,584	2	2,022	2,044	22
1945.....	4,771	4,688	-83	2,090	2,070	-20
1946:						
January.....	4,500	4,625	125	1,950	2,037	87
February.....	4,430	4,695	265	1,890	2,100	210
March.....	4,450	4,405	-45	1,910	1,800	-100
April.....	4,620	4,675	55	2,080	2,040	-40
4 months.....	4,500	4,600	100	1,957	1,994	37

There is in the United States economically situated refining capacity of approximately 4,900,000 barrels daily. In relation to the expected requirements of 4,400,000 to 4,500,000 barrels daily for 1946, there is, therefore, a surplus of

refinery capacity under both present and anticipated requirements throughout 1946.

Q. 2. How does individual product demand, present and anticipated, compare with refinery capacity on each product; or, in other words, is refinery flexibility sufficient to meet demand for the individual products?

A. 2. There is ample historical evidence, based on experience during the war, when relative all-time peak product demands varied over wide ranges, to demonstrate that sufficient refinery flexibility exists to meet all anticipated individual product demands. Even if residual fuel-oil demands should increase materially above the present level, such increase could be physically met by the diversion of actual or potential supplies of gas oil or distillate fuel, to residual fuel.

Q. 3. What is the probable reaction of crude oil prices with suspension of price control on crude oil and products?

A. 3. The trend of petroleum prices in relation to other commodities is shown in the attached chart. Crude oil prices, even after the 10 cents advance recently authorized by OPA, are still only about 10 percent above the level for 1937, whereas the average wholesale price of all commodities is now 25 percent higher, and the average price of raw materials is 40 percent higher. Taking into consideration the increase in average hourly earnings of labor in the petroleum industry of about 63 percent since the base period 1936-39 as presented in our letter of February 25, 1946 (an increase of 52.2 cents per hour), and further taking into consideration increases in all other materials and supplies averaging from 15 to 25 percent, we feel that the average price of crude oil could advance at least 25 cents per barrel as recommended by the Petroleum Administration for War, several congressional committees, and your advisory committee, and would still be well within the pattern of price increases already established for practically all other basic raw materials.

While crude oil productive capacity is more than adequate to meet the foreseeable demand for 1946, new reserves must be continually discovered in volume at least equal to the current production. Therefore, it must be recognized that in the long run the petroleum prices must necessarily reflect increased replacement costs.

Q. 4. What will be the probable result as to refined product prices in general, and as to specific products, of a given increase in crude oil prices, taking into consideration the increases that have already occurred in crude oil and other refinery costs?

A. 4. Since 1941, as of the time when price ceilings were established, it is estimated that over-all refinery operating expenses, as a result of higher costs of labor and of practically all other items, have increased in the order of 15 to 20 cents per barrel of crude-oil runs. Since that time also the average well price of crude oil paid by refiners has advanced by an average of approximately 16 cents a barrel, representing various individual increases and the recent general increase of 10 cents a barrel. Thus, raw material and operating costs have increased by a total amount in the order of 31 to 36 cents a barrel, or an average of approximately 33 cents.

Against this, since price ceilings were established, certain ceiling price increases, notably on fuel oils, have been authorized by the OPA on refined products, the aggregate of such increases being estimated to be equivalent on the average to about 12 cents per barrel of crude-oil run. This leaves a net increase in costs of about 21 cents per barrel of crude oil that has not yet been reflected in increased product price ceilings. To recover this out of the salable products, representing about 38 gallons which can be made from a barrel of crude, would require an average increase of a little over half a cent per gallon of such refined products.

If now ceiling prices were lifted on both crude oil and products, and crude oil prices were to advance further, what would be the reasonable expectation with respect to refined product prices?

The refiners advisory committee has heretofore pointed out that the profit margins for refining have not been sufficient to permit the refining branch of the industry to absorb any substantial crude oil or other cost increases, especially in view of the probable high level of future plant replacement costs with which refiners are faced. There will undoubtedly be times when the price of some particular product will be "soft" as gasoline is at present (due in large part, we believe, to the inflexibility of frozen prices at an earlier date), but if the refining branch of the industry is to be self-sustaining and is to permit the continued existence of an independent refining segment of the industry, then not only must presently unrecovered cost increases be recovered, but likewise future increases must be recovered.

For each 10 cents per barrel increase in crude-oil prices there must be an aver-

age increase in refined product prices of at least one-quarter cent per gallon. Ordinarily, some of the products resulting from refining are byproducts which must be sold for whatever they will bring in competition with other fuels. For such products it may be impossible to obtain any increase in price, regardless of increased crude-oil or other costs.

For some other products the demand and competitive factors may permit some increase but not the full amount. Therefore, other primary products would have to increase by a greater amount, perhaps a half cent or more per gallon, in order to make up the total of 10 cents per barrel of crude.

Except in a superficial and short-run sense, there is only one set of supply and demand factors in the oil industry, the supply of crude and the demand for products. There is no material public demand for crude oil as such; therefore, it must derive its economic value from the products into which it can be made.

If, therefore, ceiling prices are suspended and a free market restored with no abnormal factors present, refined product prices generally should be expected to move up in response to net increases in refinery operating costs and in full response to the same economic factors of supply and demand which, in a free market, might result in increased crude-oil prices.

As already stated, it would not be likely that the prices of all products would rise by the same amount, not only because of competitive fuels but also because the degree of necessary refining varies considerably for different products, and, as has been pointed out elsewhere, there is considerable variation, on account of seasonal and other factors, in the demand, from time to time, for each of the particular products, and therefore their prices in relationship to each other would tend to vary. As has already been pointed out, however, there is ample refining capacity, not only to make the over-all total of products required but to make the full requirements of each of the individual products. It would not be likely, therefore, that the price differentials between the various products would vary materially from those that have existed in the past under similar conditions. The only exception to this would be in the case of some abnormal factor, such as a sudden large increase in military requirements of some particular product or a drastic decrease in the supply of some competitive fuel, such, for example, as might result from a prolongation of the present coal strike. It is believed, however, that any unusual increase in any specific product price arising from such abnormal factors could be dealt with as a special problem when and if it arose, and certainly it would be unreasonable to withhold or postpone removal of price ceilings for the industry as a whole merely because of the possibility of some such special factors developing.

Q. 5. What would the probable effect be of suspension on individual products by areas in correcting present maladjusted prices of products?

A. 5. Unquestionably, some adjustments in prices would occur with products which for one reason or another are currently maladjusted. These, in our opinion, would neither occur nor spread nationally, nor would any substantial percentage of the national production be involved. No revocation of a suspension order should occur due to the correction of these maladjustments, since they would not be of an inflationary character and would simply tend to restore normal economic relationships.

Q. 6. If ceiling prices are suspended, what will be the probable effect on retail and dealer prices of the various refined products, giving consideration to changes in various marketing costs?

A. 6. Both retail and wholesale marketing costs have increased as a result of the higher costs of labor and of practically all other items entering into the distribution of petroleum products. There have been some factors at work in the opposite direction also, such as a higher proportion of direct deliveries from refineries or terminals to retail outlets, sales of other lines of merchandise, etc., but there appears to be little doubt that, in the net, marketing costs have undergone an increase. The question, then, is whether, if ceilings are suspended: Will wholesale and retail marketing margins increase so as to result in a greater increase in dealer and retail prices than in refinery prices? We believe it can be said on this subject that any such increase would not in any event be greater than the actual increase in operating costs, because the field of marketing is a highly competitive one and, in the case of gasoline, the smaller number of automobiles now in use as compared to 1941 makes it highly probable that such competition can be expected to continue on an intensive basis for a long time in the future.

To summarize, it is the conclusion of the committee that while marketing margins may increase slightly, reflecting higher costs, such increases in margins on gasoline and the other leading products would be in the order of a relatively small fraction of a cent per gallon.

Q. 7. If, after the removal of all price controls on crude and products, residual fuel-oil demand should exceed normal refinery byproduct fuel-oil production and necessitate the addition of gas oil to residual fuel oil so that fuel-oil price rose to an abnormal level above present ceilings, would you favor the imposition of a flexible price control on fuel oil which would compensate the refiner for the cost of the gas oil necessarily added; for example, some arrangement whereby price advances would be granted to the individual refiners supplying the marginal high-cost fuel oil or the differential gravity price scale for fuel oil used during the war?

A. 7. While the committee is in favor of removal of price controls on all products, if, during the existence of price controls by law as affecting the oil industry, the above supply and demand situation on heavy fuel oil should materialize, it feels that imposition of controls as described on fuel oil alone, leaving crude and other product prices unrestricted, could be considered on its merits when and if that time came.

NOTE.—Charts are not available for this mimeographing.

ARDMORE, OKLA., May 7, 1946.

The Honorable ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR WAGNER: Thank you for your invitation extended by wire May 3 to make such comments as I might desire to the Senate Banking and Currency Committee, relative to pending legislation to extend price control.

During the war period surveys of costs indicate that it is now costing nearly four times as much to find a barrel of oil, one and one-half to two times as much to drill a well, and about 20 percent more to produce a barrel of oil after it is developed than it cost prior to the war. Notwithstanding these increased costs, the price of crude oil over-all has only been increased about 8 percent. As a result, exploratory effort is beginning to dwindle.

I would like to call your attention to the repeated statements by President Truman, Mr. John W. Snyder, and Mr. Chester Bowles, to the effect that there is no need for price controls over any commodity when the supply is in excess of the demand, and we believe that the oil industry has furnished very adequate proof to your committee that such a condition has existed in our industry since VJ-day.

Since the war the demand for crude petroleum has declined to the point where it has become necessary to restrict production in many fields to less than maximum efficient rates, so at the present time the maximum efficient productive capacity of the oil wells of the United States is materially in excess of consumptive demand. Ample processing facilities are available to manufacture refined products, and adequate transportation facilities are available for their distribution. I can see no justification for a continuance of price controls on a commodity where the supply is in excess of demand. The elimination of price controls could not result in run-away prices but only in sufficient increases in prices to cover necessary increased costs, because the petroleum industry is extremely competitive, and competitive conditions will, as in the past, maintain reasonable prices.

I sincerely believe, for the reasons outlined above and for other reasons, that it is to the best interest of the consuming public and of our national defense that price controls on petroleum and its products be eliminated immediately in order that the industry may go about its peacetime job of finding and developing the crude oil that will be required in the future. You must bear in mind the fact that we must find and start the development of fields now that are to furnish our requirements 5 to 7 years hence. I would, therefore, recommend that your committee, in extending the Price Control Act, include in the act an amendment such as the so-called Gossett amendment that was included in the act as recently passed by the House of Representatives. This amendment, as you know, provides that when the production of any commodity for a 12 months' period is in excess of the production of the same commodity for the 12 months' period ending June 30, 1941, that that commodity shall, within 10 days after certification of this fact to the OPA by the industry advisory committee, be relieved of all price controls, regulations, and restrictions imposed by the OPA.

Respectfully,

WARD S. MERRICK,
Chairman, Stripper Well Industry Advisory Committee
for Oklahoma District No. 3.

LOS ANGELES, CALIF., May 7, 1946.

HON. ROBERT F. WAGNER,
Chairman, United States Senate, Washington, D. C.:

Answering telegram of May 3 to me, Midland, Texas. We favor continuation of price control in its present form. Have complete confidence in Chester Bowles and Paul Porter. Individual industries can be released from control trial basis as supply increases and competition develops. If they violate principles of price control, under administratives again. Believe price control absolutely imperative on food, clothing, rent, and living necessities; because unscrupulous parties will take advantage of national or local scarcities on many items.

A. N. HENDRICKSON,
Stripper Well Industry Advisory Committee for District 7c and 8 in Texas.

PORTLAND, OREG., May 4, 1946.

HON. ROBERT F. WAGNER,
*Chairman, Senate Banking and Currency Committee,
Washington, D. C.*

DEAR SENATOR WAGNER: Reference is made to your telegram in which you considerably offer me an opportunity to submit a brief statement concerning the pending legislation to extend price control.

It is my belief and experience that OPA served a very useful purpose so long as those coming under it felt the obligation of compliance as a means of assisting in the war effort. However, the evidence now before me—admittedly mostly of a hearsay nature—indicates there is little or no disposition to comply, but, to the contrary, evasion is looked upon as more or less legitimate.

It is my opinion that the only sound method of getting back to some semblance of normalcy is through the old law of supply and demand, and the sooner we attain that end, namely, those things which the people want can be obtained, the sooner we shall have some chance of riding on even keel irrespective of what the relation of that even keel may be to previous levels. Therefore, it is my belief that the objective everybody has in mind, namely, to preclude runaway inflation and get back to sanity at the earliest practicable date, is to remove all restrictions, thereby giving legitimate and conscientious persons an even break with the unscrupulous and black-marketeers. Such procedure unquestionably will create a big "bubble," but I believe for the shortest possible time.

Either the extension or the abolition of price regulation will, in my humble judgment, inevitably create more confusion and less stability than we even now have, for a comparatively short time; but, as above stated, it is my very definite opinion that the removal of all restrictions will offer the only permanent and the most expeditious cure.

Very truly yours,

E. B. TANNER,
Chairman, Industry Advisory Committee, Stumpage Prices.

PORT HURON SULPHITE & PAPER Co.,
Port Huron, Mich., May 8, 1946.

HON. ROBERT F. WAGNER,
United States Senate, Washington, D. C.

DEAR SIR: Answering your telegram offering to include in your transcript a statement on pending legislation on OPA our committee recommends:

1. That extension be limited to 6 months.
2. That Congress should give OPA a clear directive that if any concern files a request for an increase in price to compensate for necessary raises in costs legally made and has no reply from OPA within 30 days, or OPA has no proof that the statements made were false, such raises may be legally made the Government reserving the right of prosecution in any case where fraud or false statements to obtain such a raise were made, just as it now does where unauthorized prices are made.

At present no general increase in price of our papers has been authorized since freeze period of October 1941 and March 1942, although wood pulp prices have

advanced approximately \$20 per ton and wage rates over 30 percent. It takes 1 ton of wood pulp at least to make 1 ton of paper. Situation is serious because last advance of \$8 in wood pulp was granted by OPA in April. Result is that low-end price grades are disappearing and others are being manufactured at a loss.

On January 8, 1946, again on March 13, and again on March 22, the manufacturers of sulphite paper asked for relief on the differential for sheet cutting paper from the present OPA price of 25 cents per hundredweight to the bare cost of 75 cents per hundredweight. Relief of that amount was granted to the writing paper manufacturers and book paper manufacturers on February 18, 1946, and to the kraft paper manufacturers on February 14, 1946, but no action has as yet been taken on sulphite paper which forces the ridiculous situation where, in at least 50 paper mills in the country, a cutter running on bond, book, or kraft gets 75 cents per hundredweight but the same cutter running on other sulphite grades gets 25 cents per hundredweight for doing exactly the same operations. Is it any wonder that bond is replacing the lower-priced sulphite grades?

As the OPA is operating at the present time, by refusing to act promptly and fairly, it is simply forcing worse inflation on the country with unnecessarily high prices by eliminating from the market all the lower-priced utility grades, which can no longer be made at 1941 and 1942 prices, and forcing the substitution of higher grade goods for low-grade uses. The fault rests squarely with Congress and not OPA which under the law is not required to take any action.

Yours very truly,

E. W. KIEFER,
Chairman, OPA Advisory Committee of the Sulphite (and Bleached Kraft Paper) Industry.

BURLINGTON, VT., *May 10, 1946.*

Hon. ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Washington, D. C.:

Have consulted with several large talc producers relative to your wire May 4. OPA price control as lifted on talc August 1945. To our knowledge there has been no unusual rise in prices despite tremendous demand. Believe the talc industry would be satisfied with continuation of OPA only with very definite limitations.

EASTERN MAGNESIA TALC Co., INC.,
E. W. MAGNUS,
Talc, Pyrophyllite and Ground Soapstone. Industry Advisory Committee.

BOSTON, MASS., *May 6, 1946.*

ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Washington, D. C.

OPA during war years served a useful purpose despite some justifiable criticisms their acts warranted. This now changed drastically; therefore, important OPA's power and conduct immediately be adjusted to new conditions otherwise production may be years in catching up with the demand. The House bill makes sane approach to this subject, but other steps must be taken to handle cattle industry so as to put big packers back into the killing of cattle, thereby supplying tanning industry with high-grade raw stock. During past month we were able to buy practically no high-grade hides which come from big packing plants. These same hides when taken off by inexperienced plants are badly damaged, resulting in loss of leather-making materials which are in very short supply and will retard shoe industry until this matter is corrected.

J. SCHANZLE,
Member Industry Committee OPA,
Tanners' Hide Industry Advisory Committee.

COLONIAL TANNING Co., Inc.,
 Boston 11, Mass., May 6, 1946.

MR. ROBERT F. WAGNER,
 Chairman, Senate Banking and Currency Committee,
 Washington, D. C.

DEAR MR. WAGNER: As chairman of the industry advisory committee of OPA on gelatin raw stock, I have received your wire of May 4 and in reply will say that I have been following all the discussions for and against the OPA very carefully, and it is my definite opinion that the country would be a lot better off in removing all the controls including OPA as soon as possible.

I am enclosing a copy of American Meat Institute statement regarding OPA which happens to coincide with mine. The quicker we can get these controls off, the better the country is going to be.

Yours very truly,

M. J. KAPLAN
 (Chairman, Tanners Raw Stock Gelatin).

“What benefits the livestock industry benefits the American people”

WHY LEGITIMATE PACKERS CAN'T BUY CATTLE

As you well know, there's a widespread black market in meat. It is particularly bad in beef.

Today there are in the market places two kinds of buyers for beef cattle.

One is the law-abiding meat packer—large, medium, or small—who observes all OPA regulations.

The other is the black marketeer. He is outbidding the legitimate meat packer for beef animals because he pays little or no attention to OPA live maximum prices—because he may juggle records to give resemblance of compliance (or submit no records at all)—because he may grade, cut, or sell beef out of line with OPA regulations.

The law-abiding meat packer cannot successfully bid against the black marketeer because OPA Regulation 574 sets the price limits that packers can legally pay for cattle as follows:

No more than \$18 per hundredweight (Chicago basis) can be paid legally for any beef animal.

In addition, within any month the total dollars paid for cattle cannot exceed a theoretical dollar cost. This cost must be computed in accordance with an OPA formula that is based on actual carcass grading (in many cases by Government graders) and an arbitrary quantity of dressed meat from each 100 pounds of live weight. Here's the formula:

Grade	Maximum price per hundredweight (Chicago basis)	Pounds of beef from each 100 pounds live weight
Choice.....	\$17.00	61
Good.....	15.75	58
Commercial.....	13.00	56
Utility.....	11.00	54
Canner and Cutter.....	8.25	46

(Prevailing quoted market prices for live cattle by grades are above these levels.)

Thus, if a meat packer pays \$18 per hundredweight for a steer that will make choice beef and yield 61 pounds per 100 pounds live weight, he must buy a similar steer of the same weight for \$16 per hundredweight to average out at the OPA price of \$17 per hundredweight for that month's purchases.

This is a much simplified example. But there are also further complications that move up or down the maximum price that may be paid depending on the amount of meat that each 100 pounds of live animal will yield. And so go the requirements of OPA Regulation 574 and its six amendments.

To attempt to compete with purchase prices paid by black marketeers would throw law-abiding meat packers out of compliance with OPA regulations.

Failure to comply with OPA regulations means loss of subsidies and risk of penalties which would put the legitimate packer in jail or out of business—or both.

That's why legitimate packers cannot buy the cattle they want and need to keep their people employed and to keep their distributive machinery working. They cannot buy the cattle they need to put beef into stores throughout the land where consumers can get it when they want it.

Legitimate meat packers stand ready to buy all the cattle they can buy and dress within the price limits set by OPA.

Only removal of OPA pricing and related regulations, including subsidies, will put cattle and beef back into normal channels—from the farm to the table—at fair, competitive prices for all.

AMERICAN MEAT INSTITUTE

Headquarters, Chicago—Members throughout the United States

ROSEMARY SALES,
New York City, May 8, 1946.

SENATE BANKING AND CURRENCY COMMITTEE,
United States Senate, Washington, D. C.

(Attention of Robert F. Wagner, chairman.)

GENTLEMEN: I appreciate your telegram advising me that you would include in the transcript any brief statement I might desire to submit concerning pending legislation to extend price control. This statement is attached.

Very truly yours,

RICHARD POHLERS,
Textile Industry Advisory Board.

STATEMENT BY RICHARD POHLERS CONCERNING PENDING PRICE CONTROL LEGISLATION

The textile industry in all its phases has appeared before you and, I think given with clarity and good judgment many opinions and facts.

There is one thing that impresses me and that is your telegram says “* * * statement * * * concerning pending legislation to extend price control.” If that remains the sole purpose of any legislation, then we are headed for failure. What I think you should be striving to do is to attempt to inaugurate legislation which will create the maximum of regular production reasonably priced.

The present price control act was of necessity a war measure and could only serve during that period of time when our manufacturing facilities were utilized both for the war effort directly and for the continuance of our civilian economy. It created for us substitutes and omissions, and to a large extent it was subscribed to by people as a whole not because they considered it foolproof but because it was the best thing we could put our hands on in a short period of time.

Since the cessation of hostilities it is my very definite opinion that in itself price control has contributed more to inflation and to a disruption of our normal business cycle than any other thing, with the exception of our cheap money policy and the idea that you can spend yourself rich.

I am not personally familiar with how the Price Control Act operates in all industries. I do know how it operates in the textile industry. It consists today of a massive jumble of unrelated orders, topped by that vicious catch-all known as the General Maximum Price Regulation. The whole collection of textile price orders has placed a premium on unusual goods and has worked to the disadvantage of normal production. People in the textile industry today are, in the main, making goods first to the most favorable price ceiling, and after that with the hope that they will represent usable merchandise that will meet the needs of the country.

I cite these instances not with any idea of being critical or picayunish but merely to point out to you that this so-called price regulation, which has as its purpose the curbing of inflation, is really a prime contributor to it. Whenever legislation is written which makes it necessary to take production away from shirts and suits and put it on sport clothes and other peculiar items, the result achieved is exactly the opposite of what was originally intended.

The textile industry and those fabricators who utilize the goods and distribute them in their final form consists not of a few large corporations but of hundreds of thousands of small businesses. Any control, be it price or anything else, that is going to work has to qualify along certain very definite lines:

1. It must encourage production of regular items on a sound basis.
2. It must allow a profit on these items, and it must allow a profit not only to the most efficient and competent manufacturer but to the border-line one as well.
3. It must have a simple set of rules that can be understood and policed and not a conglomeration of legal language which creates confusion and not compliance.
4. It should, under all circumstances, try to control only the large staple segments of the industry or those major items which can be controlled. It should not attempt to try to cover every needle in the haystack.

In my opinion, the best way to accomplish all these things and to achieve the desired result so far as textiles are concerned is to eliminate price control and distribution control entirely. Because of the very competitive factors in this industry, proper pricing and needed production will be more readily achieved in a free market than by any other method.

JACKSONVILLE, FLA., May 10, 1946.

ROBERT F. WAGNER,
*Chairman, Senate Banking and Currency Committee,
Washington, D. C.:*

Price control may be necessary on a few cost-of-living items on which enforcement can be effectively handled, but OPA hinders production on most manufactured products that are so badly needed while allowing black-market operators to run wild. That agency cannot control the economy of this country and keep it in balance. I am convinced that production will never catch up with demand until price control is eliminated on most manufactured products which includes lumber of all species.

W. W. SIMMONS,
Chairman, Tidewater Red Cypress Industry Advisory Committee.

THE B. F. GOODRICH Co.,
Akron, Ohio, May 9, 1946.

HON. ROBERT F. WAGNER,
*Chairman, Senate Banking and Currency Committee,
Senate Office Building, Washington, D. C.*

DEAR SENATOR WAGNER: Your telegram of May 3 to Irving Eisbrouch, chairman of the Tire Industry Price Advisory Committee, has been referred to me as vice chairman in Mr. Eisbrouch's absence from the city.

I have circularized members of the committee and, in general, their opinion is "we would like to see price control eliminated as soon as practical," by which we mean as soon as production is about equivalent to demand. We believe that a decision as to when this point has been reached should be arrived at by the Industry Price Advisory Committee and OPA, and perhaps CPA should also have a voice in this determination.

As to certain types and lines of tires, there is strong evidence that supply and demand have already been equalized, and there are several on our committee who feel that this equalization point has been arrived at in all lines. The majority, however, feel that that point is still some months off, but that the law should definitely state a formula under which such a decision could be made, on individual types and lines.

We feel very strongly that no matter what type of legislation is enacted for price control it should not be for more than a 1-year period.

We also feel very strongly that OPA should be operating under a law that requires them to pass on to the public all or a substantial part of cost increases arising from higher labor rates, higher costs of material purchased which reflect other industries' increased labor rates, etc. Also, we think that OPA should be compelled to examine the facts and arrive at a decision with an industry committee promptly and, once the decision has been arrived at as to an amount of price increase, that it be formalized and made effective immediately.

Several weeks ago our committee, after weeks of work and many meetings, arrived at an agreement with the Rubber Section of OPA on increased prices for tires. As yet no formal action has been taken by OPA and we are advised today that we may not expect such action for at least another 10 days. In the meanwhile, the fact that there is to be an increase in the price of our products has become known throughout the entire trade and is creating a needlessly embarrassing situation for all concerned.

Sincerely yours,

JAMES J. NEWMAN,
Vice Chairman, Tire Industry Advisory Committee.

NEW HAVEN, CONN., *May 8, 1946.*

ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee:

We believe that the decontrol of prices for manufactured products by the OPA would result in greatly expanded production of needed civilian products without increasing prices to the public beyond the necessary increases caused by higher labor and material costs.

KENNETH P. FALLON, of the A. C. GILBERT Co.,
*Chairman (Toys, Games, and Wheel Goods Manufacturers)
Industry Advisory Committee, OPA.*

SONOCO PRODUCTS Co.,
Hartsville, S. C., May 6, 1946.

Senator ROBERT F. WAGNER,
*Chairman, Senate Finance and Banking Committee,
Senate Chambers, Washington, D. C.*

DEAR SENATOR WAGNER: Thank you for your wire of May 3. My personal feeling is that all price controls should be removed at once except rent controls.

With wages being increased all over the country it will be impossible for OPA to keep prices down without ruining industry but with price controls still nominally in effect many segments of industry will be seriously hurt and production of many needed products will be curtailed.

If price controls are removed it is true that some prices will advance at once to higher levels than would have been allowed by OPA but production will be stimulated and the law of supply and demand will soon begin to operate again and prices will come down sooner than if controls are maintained.

Removal of price controls means greater production and greater production will bring lower prices.

Sincerely yours,

J. L. COKER,
President, Tubes and Fiber Cans Industry Advisory Committee.

THE BABCOCK & WILCOX TUBE Co.,
New York (6), N. Y., May 9, 1946.

Re OPA statement for Senate Banking and Currency Committee.

Senator ROBERT F. WAGNER,
*Care of United States Senate Office Building,
Washington, D. C.*

DEAR SENATOR WAGNER: Enclosed herewith in triplicate is statement prepaid in accordance with your request as contained in your telegram of May 3, 1946, copy also attached.

Yours very truly,

EDWARD A. LIVINGSTONE,
*General Sales Manager,
Chairman, OPA Tubing Advisory Committee.*

MAY 9, 1946.

STATEMENT TO THE UNITED STATES SENATE BANKING AND CURRENCY COMMITTEE MADE AT THE REQUEST OF SENATOR ROBERT F. WAGNER, CHAIRMAN

EFFECTIVE AMENDMENT NO. 15 TO OPA RPS NO. 6

As a result of amendment No. 15 to OPA Revised Price Schedule No. 6, which became effective February 15, 1946, increasing prices of certain steel products, including seamless and welded tubing, the Babcock & Wilcox Tube Co. find themselves with a loss of over \$3 per ton greater than before the price order went into effect and before the increased basic wage rate of 18½ cents per hour went into effect. Prior to amendment No. 15 to OPA RPS No. 6 increasing the costs of our raw materials, we were suffering a loss on carbon steel tubing, both seamless and welded, on an average of approximately \$10 per ton. In effect, therefore, the OPA control of prices on our carbon steel tubing has been to cause an increased loss to us of considerable proportions.

RATE OF OPERATIONS TUBE INDUSTRY

The seamless and welded tube industry, deducting the effect of the steel strike, have attained since VJ-day a production rate which is considerably in excess of the average 1939-40 level of operations for the industry. This applies not only to carbon steel tubing but also to alloy tubing. The tubing industry is distinctly a competitive field of activity. During the war, the facilities for the production of tubing were increased approximately 75 percent over that which they were before the war. Some of these facilities, however, are still owned by the DPC. Some of them have been shut down, not through lack of demand but through either lack of raw materials due to the losses at which these raw materials must be produced, or inability of the tubing manufacturer to make a profit on the products he would have to sell in the competitive tubing market.

REMOVAL OF PRICE CONTROL RECOMMENDED

It is my recommendation that price control on tubing, both seamless and welded, carbon steel and alloy, should be entirely eliminated and the industry would then be able to properly adjust themselves to the economic picture as it exists today without any very drastic or material increases in selling prices except where gross inequities now exist. It is further believed that the lifting of OPA price control on raw materials supplied to tubing manufacturers, such as blooms, billets, tube rounds, strip and sheet would also be necessary in order to eliminate the present price squeeze which exists on these products preventing their production for use by nonintegrated manufacturers.

The fact that OPA ceilings could be eliminated on these commodities, including all tubing products, it could be concluded that OPA control over all steel products manufactured and sold under Revised Price Schedule No. 6 could be completely eliminated also.

Most of these commodities do not reach the consumer market in the form in which they are sold. The competition by manufacturers of these commodities is considerable and the artificial control of prices and profits has caused unbalanced production of the products involved which are manufactured by all of the integrated and nonintegrated steel makers and covers everything from ingots on up to and including tubing products and represents probably 90 percent of the steel output, which 90 percent goes for further fabrication by other companies or by the integrated steel manufacturers themselves.

EFFECT OF PRICE CONTROL ON TUBING

Due to price-control effect, some of the manufacturers in our industry of hot-rolled and cold-drawn carbon steel products are dropping out of production or discontinuing certain lines in order to stay in business and try to make money rather than lose it. Two of the largest companies have discontinued the production of small diameter seamless carbon steel pipe. The demand for this is now reaching the tubing manufacturers with the request that specialty tubing be produced and substituted for this pipe at an increase of \$25 to \$50 per ton to the user. Seamless carbon steel boiler tubes, particularly in the lighter gages and smaller diameters, are becoming difficult to obtain because of the high cost of

production with losses resulting under OPA ceiling price control with alloy tubing being substituted where carbon steel would have sufficed and at increases to the users which might represent as much as 50 percent over the normal costs.

Hot-finished boiler tubes are definitely unprofitable, whereas, cold-drawn tubing of the same size is not as unprofitable. Therefore, buyers are being required to purchase cold-drawn tubing where hot-rolled tubing might have sufficed at increases in costs to the users running up to 15 to 20 percent over normal costs.

PRODUCTION RESTRICTED BY PRICE CEILINGS

If we did not have OPA price control on our products and prices sought their own levels based on every consideration of the integrated mills' competitive production, then productive capacity for the manufacture of seamless and welded tubing would step up materially. This is because of the demand which exists today which is not being met by the tubing producers because of their lack of desire to operate fully on products which represent losses under present increased wage costs and material costs with controlled ceilings.

Practically all manufacturers of tubing have eliminated sales of tubing for export except probably certain alloys and stainless. This tends further to restrict production and reduce operations below the possible maximum level.

Increased wage costs with the necessity for heavy overtime payments have caused certain manufacturers, including ourselves, to study these costs and eliminate overtime operations because of the increased losses caused from these operations on the tubing thereby produced.

Our plants, to reach maximum capacity, are short approximately 3,500 tons of steel per month in bloom form, tube round form, and in cold- and hot-rolled strip form. This shortage is traceable to two principal factors. (1) the ceiling prices for the raw material we buy makes them unprofitable and (2) the effect of the steel strikes on the steel mills' production of these products.

OPA CONTROL SHOULD BE ELIMINATED

In view of the above, it is my recommendation that OPA control of our industry be entirely eliminated immediately and I am confident that the industry's activities price-wise, as competitive as they now are, will be well regulated, insofar as the ratio of costs to selling prices is concerned, by the men who run this industry.

Your early action on this recommendation is requested.

EDWARD A. LIVINGSTONE,

*General Sales Manager, The Babcock & Wilcox Tube Co.; Chairman,
OPA Tubing Advisory Committee.*

PHILADELPHIA, PA., May 9, 1946.

HON. ROBERT F. WAGNER,

Senate Banking and Currency Committee, Washington, D. C.

A recent poll which is available for inspection shows that 95 percent of our industry who are nationally engaged in supplying shipping containers, both steel and wood, are strongly in favor of extending the present Price Control Act without damaging amendment until such time as supply is in better relation to demand. Lifting or weakening price control at a time when there is an acute shortage of shipping containers would have a disastrous effect on our industry and cause container prices to spiral to unwarranted heights and also contribute much to the general price inflation in other commodities. Proof of this can be seen in what happened when price control of new whisky barrels was lifted on March 27, 1946. The controlled price was \$12.04 per barrel and 1 week after the control was removed the price soared to \$30 per barrel, an advance of nearly 150 percent. Unwarranted inflation is bound to result in sudden collapse, causing irreparable damage to the Nation's future economy and our industry requests they be put on record in favoring the extension of the present Price Control Act.

R. A. CABREY,

*Chairman, OPA Used Steel Drum Industry Advisory Committee; OPA
Used Wooden Cooperage Industry Advisory Committee.*

FERRY-MORSE SEED CO.,
Detroit 31, Mich., May 8, 1946.

The Honorable Senator ROBERT F. WAGNER,
*Chairman, Senate Banking and Currency Committee,
 Senate Office Building, Washington, D. C.*

DEAR SENATOR WAGNER: Thank you for your telegram of May 3 inviting me to submit a brief statement to your committee concerning pending legislation to extend price control. I am glad to take advantage of this opportunity.

In my own industry (vegetable seed) there is no further need of price control. Ceiling prices have been suspended since October 29, 1945; current prices for 1946 crop vegetable seed average lower than prices quoted a year ago for 1945 crop seed. In my opinion vegetable seed price controls could be safely eliminated.

I realize, however, that there are still some commodities which have inflationary possibilities and I therefore favor an extension of price control for 1 year along the following lines:

1. A realistic, businesslike administration committed to give immediate recognition to increased wage or other costs.
2. Rent controls to be maintained throughout the extension period.
3. Meats, dairy products, fresh fruits, and vegetables to be removed from control and allowed to move through normal distribution channels and find their natural price levels.
4. Controls on other commodities to be removed automatically as supply and demand approach reasonable balance.
5. All subsidies to be discontinued as quickly as possible.

I have implicit faith in the ability of our Nation to speed up reconversion under an intelligently administered program of this sort.

Cordially yours,

STEPHEN BEALE,
*Chairman, Vegetable Seed Industry,
 Advisory Committee, OPA.*

NATIONAL OIL PRODUCTS CO., INC.,
Harrison, N. J., May 8, 1946.

Hon. ROBERT F. WAGNER,
*Chairman, Senate Banking and Currency Committee,
 Senate Chamber, Washington, D. C.*

DEAR SENATOR WAGNER: Reference is had to telegram sent by you dated May 3, which, however, did not reach this office until Monday morning (our office being closed on Saturdays), inviting me, as chairman of the vitamin A industry advisory committee, to make a brief statement on the subject.

Whether the views, as expressed below, represent the composite opinion of the industry is questionable. There are 10 members from the vitamin A industry on the committee. It so happens that we are in the midst of taking a poll of the committee membership. At this writing, 8 of the 10 members have voted and the committee is equally divided 4 to 4, 4 being in favor of eliminating ceilings and 4, including the writer, being opposed to either raising or removing ceilings. It should be borne in mind that not only vitamin A itself, but the matter of price ceilings on various products in which vitamin A is a substantial component are also involved. This has very substantial ramifications in the pharmaceutical, food, and poultry feeding industries.

The views expressed below are my own as chairman of the vitamin A industry advisory committee of OPA. These views also represent the views of the management of this company, with products in many other fields:

1. The subject cannot be dismissed lightly by one being a hundred percent for elimination of price control or by one being a hundred percent for price control.
2. Not in favor of blanket removal of price control.
3. We are under the impression that OPA has been much too slow in granting price relief where the facts warrant relief. For instance, this company, as is the case with numerous other companies, uses a wide range of raw materials and manufactures many different products—in our own case currently about 500 different products—and these products go to most of the major basic industries. Because of price ceilings, in certain cases we either have been forced to discontinue or to greatly limit the manufacture of certain products. We have other instances where, while margins are being crowded, the situation has not reached the point where relief would be applied for.

4. In conclusion, my own position and the position of this company is that price control, as a principle, should be extended beyond June 30; but that in extending this act, Congress should provide for its continued price control consistent with fundamental economic principles and its progressive commodity decontrol as fast as conditions actually permit, and, assuming continued price control where price control is warranted, that OPA acts promptly in either raising ceilings or removing ceilings, as facts presented to it warrant.

Very truly yours,

NATIONAL OIL PRODUCTS CO.,
PERC S. BROWN, *Vice President*,
(*Vitamin Feeding Oils IAC*).

P. S.—The best exposition of this whole subject that we have seen, and the one that most closely approximates our own thinking, is that one recently released by the Research Division of CED.

P. S. B.

W. S. DICKEY CLAY MANUFACTURING CO.,
Kansas City 6, Mo., May 7, 1946.

HON. ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Washington, D. C.

DEAR SIR: Glad to have your telegram of May 3 indicating that the Senate Banking and Currency Committee will be pleased to include in its transcript any brief statement which I may desire to submit in behalf of the vitrified clay sewer pipe industry concerning pending legislation to extend price control.

No doubt all industry is interested either in one way or another in the pending legislation to extend price control. However, industry might properly be divided into two segments, the one segment representing the opportunists who are more concerned about the immediate opportunity and profits which may be derived due to the scarcity of certain materials and goods and not too concerned about its ultimate future; whereas, the other segment, which represents industries that have become an institution in the American system of enterprise, which, while concerned about modest immediate profits, is more deeply concerned about the ultimate future of its industries as a continuing enterprise. The clay sewer pipe industry belongs in the latter group.

While our industry is not one of the larger industries, it is nevertheless one of the oldest industries in our country. Clay sewer pipe and kindred products manufactured by our industry are of vital importance to the emergency housing program and are also predominantly used in the sanitary sewer systems of our nation. As an industry we have weathered several wars as well as booms and depressions, from which we have derived, through rather costly experiences at times, some valuable lessons.

A large majority of the members of our industry are convinced that price control throughout the war and following VJ-day has not only saved the taxpayers in communities as well as consumers of our products considerable money but has also proved very beneficial to the majority of our manufacturers insofar as it has forced each manufacturer to be resourceful in trying to keep his cost of production at the lowest level obtainable rather than seeking the easier way out of letting costs rise and increasing selling prices commensurately. The latter procedure was followed during World War I, with the result that prices soared to a level much higher than the prices which are in effect today, with the ultimate result that when the lean years followed, a large segment of our industry was forced to discontinue operations and dismantle plants representing millions of dollars of investment. The product which is supplied today is superior to that which was offered during World War I and is being produced in a 40-hour week with a wage to labor three to four times as high as it was during World War I, which in itself indicates that manufacturers within our industry had to be resourceful in order to accomplish this end.

During the meeting of our industry advisory committee in Washington, D. C., May 2, which was attended by manufacturers from all sections of our country, it was the consensus of opinion of the members of our committee that price control should be extended and continued on all essential goods and materials until the supply of such goods and materials was equal to the demand. They were particularly concerned about continuing price control on the necessities of life, including shelter (housing), food, and clothing, believing that if controls were not maintained on these essential items that there would be a repetition of demands for increased wages before the end of this year in line with the increases

which are currently being granted to offset the rising costs of the necessities of life. Our industry is, therefore, strongly in favor of a continuance of price control. Our industry has, however, not always endorsed the manner of administration of price control, objecting specifically to the delays which have occurred in many instances when manufacturers required immediate price relief in order to continue their operations. However, during the last 60 days there has been a marked improvement in administration in respect to getting ceiling prices adjusted within a reasonable length of time.

We were assured by representatives of the OPA who attended our industry advisory committee meeting that the policy of getting action on ceiling prices would in the future be handled in a more expeditious manner than previously and if this is done our industry is wholeheartedly in favor of extending price control if administered on this basis.

You may be free to use any portion or portions of this letter in the transcript of the Senate Banking and Currency Committee.

Yours very truly,

H. P. WILHELMSIN,

Chairman, Vitrified Clay Sewer Pipe Industry Advisory Committee.

CC: Mr. Paul A. Porter, Administrator, Office of Price Administration.

OMAHA, NEBR., May 10, 1946.

Chairman ROBERT F. WAGNER,
Senate Banking and Currency Committee,
United States Senate Building, Washington, D. C.:

Your telegram May 3 invites statement from walnut industry concerning pending legislation to extend OPA. Due to present price policy the current average annual rate of walnut lumber production is less than 50 percent of stock produced in 1937. A basic change in the methods of treating costs could easily rectify this situation. In event of extension the industry hopes new legislation will make standard accounting practices acceptable for costing walnut lumber. Several important mills have closed their sawmill departments pending relief.

J. V. PETRUS,

Chairman, OPA Walnut Industry Advisory Committee.

NEW YORK, N. Y., May 7, 1946.

Senator ROBERT F. WAGNER,
Chairman Senate Banking and Currency Committee,
United States Senate Office Building:

Replying your telegram May Third our recommendation on pending legislation regarding price control is as follows we are in favor of retaining OPA but are strongly opposed to MAP and we urge most earnestly that Garment Industry be permitted to figure current labor costs instead of costs as they prevailed in 1942.

ISAAC GINSBURG & BROS.,
ISAAC GINSBURG,

Chairman, (Wash Dress Manufacturers priced above \$24/dozen)
Industry Advisory Committee OPA

THE WADSWORTH WATCH CASE CO., INC.,
DAYTON, KY., May 7, 1946.

Hon. ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Washington, D. C.

DEAR SIR: This is to acknowledge your telegram advising that as chairman of an industry advisory committee you would be pleased to have a brief statement concerning pending legislation to extend price control.

The experience of our Watch Case Industry Advisory Committee leads to the conclusion that the weakness of OPA lies in its administrative processes and not in its broad objectives. We do not believe that price control should be abandoned, but that it can be made workable only through--

1. Freeing from price control those articles which do not enter substantially into the cost of living, and
2. Setting up a measure of productive capacity which, when reached, would automatically release an industry from price control.

Last September our industry committee pointed out the urgent need of price relief in the "low end" high-volume categories in order to restore the volume production of moderate-priced watch cases and a resulting supply of moderate-priced watches to the consumer. A measure of relief was ultimately granted to the industry under SO-148, but only after 6 months of protracted conferences. It is already somewhat out-moded by the recent series of wage increases granted throughout the industry.

Our situation is further complicated by the suspension of price ceilings of certain suppliers (particularly the manufacturers of rolled gold plate stock) and of a portion of our customers (the American jeweled watch industry). Watch cases remain under price control. It would seem that a basic decision should have been made with regard to the importance of watches in the cost-of-living index and that the entire industry should either have been kept under control or released from it.

Clear thinking and prompt action has been difficult to obtain from an overburdened and overworked agency such as the Office of Price Administration. While legislation cannot cure many of the difficulties adherent in the problem of price control, it would seem that every effort should be made to simplify procedures and to reduce the area of coverage to the most essential products.

Very truly yours,

RANDOLPH L. WADSWORTH,
Chairman, Watch Case (Manufacturers) Industry Advisory Committee.

SPokane, WASH., May 10, 1946.

Senator ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Washington, D. C.:

Your wire 3d reached me here where I am just completing intensive survey of the lumber situation in the Northwest. In last 90 days I have made similar survey embracing eight Southern States. It is a well known fact that over 80 percent of southern lumber is moving on black market and I find similar situation rapidly developing in Northwest. Various methods of circumvention and the evasion of unworkable rules imposed by OPA have actually developed a condition where today a premium exists on sharp practices. The few remaining ethical and honest manufacturers of lumber observe the rules and are compelled to watch their less scrupulous competitors through subterfuge and devious methods obtain higher prices for inferior commodities. Through impractical and theoretical direction of the lumber industry OPA is defeating the very purpose for which it was designed because it has so little control of prices. As result the buyer of lumber and the home builder are actually being penalized by having to pay higher prices for less value. I well remember the inflation and deflation that followed World War I and during the last war I was a firm believer in OPA. I am now convinced, however, that OPA has lost face to such an extent that it can never regain the respect and confidence necessary to make it of further value and therefore should immediately relinquish control over lumber and lumber products. Such decontrol will in the final analysis be beneficial and constitute a long stride toward return of a sound economy. To retain the present demoralized and discredited control will only postpone the evil day which will be harder to bear the longer it is deferred. By retaining control over cost-of-living items OPA will do all that it should attempt under existing conditions. To relinquish control over lumber and lumber products OPA will benefit the industry and the ultimate consumer.

E. J. CURTIS,
Chairman, OPA (Western Pine) Stock Millwork Advisory Committee.

CLEVELAND, OHIO, May 9, 1946.

Hon. ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Senate Office Building, Washington, D. C.:

Committee generally feels clearly defined amendments should be added to provide selling prices that will produce maximum balanced production. With such amendments some of our committee favor the continuation of price control for 1 year, others for 6 months.

R. C. McCASKEY,
Chairman, OPA Industry Advisory Committee to the Waxed Paper Industry.

VALENTINE CLARK CORP.,
St. Paul, Minn., May 7, 1946.

HON. ROBERT F. WAGNER,
*Chairman, Senate Banking and Currency Committee,
United States Senate, Washington, D. C.:*

This is in reply to your telegram received May 5.

Our industry has enjoyed sound practical relations with the Lumber Branch, Office of Price Administration, who have shown an excellent spirit of cooperation.

Wood poles are vital to communications, light and power, railroad train control and signals and the REA program.

Inventories have all been consumed, production is seasonal and slow. Costs for wages, stumpage, supplies, and repairs have already increased to an alarming degree.

Production of western red cedar poles has been under way for a great many years, hence the present stumpage supply is quite far back in the timber and is an expensive operation.

Under price control there had to be a general revamping of production operations and as a result of the above circumstances we now have a near famine in wood pole supply.

This can, however, be corrected to better advantage for the general welfare of the whole of the people by an extension of a properly amended Price Control Act in which present conditions are recognized than through any other available means.

Hence, I would recommend that the general subject should be soberly and honestly studied by your committee and the Congress should revamp, improve, speed up, and extend the act to June 30, 1947, and give the OPA an opportunity to continue the excellent work they have done, retain the confidence of industry and the public and permit industry to function in the normal American way, thus putting a stop to the present rather serious wave of seeking ways around prices regulations.

One of the principal costs of wood poles is the tree itself (stumpage) of which the United States Forestry Department is one of the largest owners. Removal of price control under present conditions would result in a rabid bidding contest for stumpage from which the industry would never survive.

The balance of wood pole costs is mostly wages (approximately 60 percent) hence, for practical results any extension of price control must provide for an immediate adjustment of price to cover wage increases, perhaps by setting a fixed time limit (30 to 60 days) for price adjustment after the presentation of bona fide facts and cost analyses.

Since operating conditions and demand requirements have changed materially since March 1942 the amended act should provide machinery for price adjustment where justified to explore and develop new sources of supply.

Since all commodities and services are now covered by well-formulated price regulations the original purpose of the Price Control Act has been accomplished and the amended act should now provide for the task at hand, viz, administration, a more flexible routine of price adjustment to maintain fair operating margins and encourage production on a practical basis.

I do not find any honest desire by fair minded business executives for the termination of price control, but there is a strong general belief that industry is being subjected to unfair penalties through the absorption of cost increases that are beyond their control because of the slow routine of the OPA in processing and publishing justifiable adjustments in the price regulation.

Respectfully submitted.

M. H. SPERRY,
Chairman, Industry Committee, OPA, for Western Red Cedar Poles.

MINNEAPOLIS, MINN., May 9, 1946.

HON. ROBERT F. WAGNER,
*Chairman, Senate Banking and Currency Committee,
Washington, D. C.*

It is my considered opinion that price controls are absolutely necessary and that legislation should be extended for at least another year without any crippling amendments. But it is also of vital importance that necessary provision be made so that speedy adjustments can be made and prices adjusted where present ceilings force many concerns to discontinue business and others to operate at a loss which naturally retards reconversion and causes the majority of complaints

against OPA. Personally I would undoubtedly receive temporary benefits if price controls were lifted as I operate large grain and vegetable farms and stock farms, both dairy and beef, in Minnesota and North Dakota but I have not forgotten what happened after the last World War. I am speaking for myself only and not for the Industry Advisory Committee.

O. J. ODEGARD,
Chairman, White Potato Industry Advisory Committee, OPA.

CHICAGO, ILL., May 10, 1946.

Senator ROBERT WAGNER,
Chairman, Banking and Currency Committee,
Senate Office Building:

After receiving your telegram all members, industry advisory committee, and most of the industry were contacted.

Overwhelming consensus favors House bill in present form but terminating price control December 31, 1946.

WILLIAM HUGH BAGBY OF BALTIMORE,
Chairman, Wholesale Furniture Industry Advisory Committee.

FRANCIS H. LEGGETT & Co.,
New York, May 7, 1946.

HON. ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR WAGNER: With reference to your telegram of May 3, as chairman of the industry advisory committee, OPA (wholesale grocers), I should like to submit the recommendations set forth below concerning legislation to extend price control. While I cannot speak authoritatively on behalf of the entire committee, I can state that at least two-thirds of the members agree with my views. In addition, as president of the National American Wholesale Grocers Association, I can further state that these views represent the unanimous opinion of the board of governors of that association.

RECOMMENDATIONS

1. It is recommended that the Office of Price Administration be extended for a period of 1 year from June 30, 1946. This length of time is necessary on seasonal items because if controls were removed at a specified date in midseason, such as December 31, some canners and packers of seasonal items would be inclined to withhold the sales of these products until after that date, resulting in higher prices, shortages and maldistribution.

2. The President, by Executive order, or Congress, by resolution, should specify the commodities which are to remain under control, and which are in scarce supply, such as sugar, fats, oils, rents, etc. They should confine this list to cost-of-living items.

3. Anything which is not specifically mentioned by the President or by Congress should be removed immediately from control. The Office of Price Administration should be clearly instructed that on items under control when supply and demand are approximately in balance on any commodity, all controls of that commodity should be discontinued.

4. It is recommended that OPA be petitioned, in accordance with section 5 of the act of January 30, 1942, to consult with industry advisory committees on the removal of controls. Congress should vest the advisory committees with sufficient authority so that taking commodity by commodity and item by item a committee, upon a two-thirds vote, can recommend to OPA when controls are no longer necessary or advisable. To realize the fullest effect of this efficient and workable policy, a definite time limit must be set. A term of 30 days should be established as an "action period," beginning on the date a recommendation is submitted to OPA by an advisory committee. If OPA disagrees with a recommendation, it may submit the matter to a specific board of appeals whose decision should be final. The failure of OPA to submit the action to the board of appeals, or the failure of the board of appeals to render its decision by the expiration of the 30-day action period should result in the recommendation automatically becoming mandatory upon OPA for execution.

5. It is recommended that the industry advisory committees be revised and names should be submitted by the respective industries to the OPA for its approval. In the event that a committee cannot be successfully assembled by general agreement, the names should be submitted to the board of appeals for selection.

In connection with the above recommendations, I should like to stress the importance of vesting more authority in the industry advisory committees. In the past, there has been a feeling that Government should in no way be controlled by industry, but inasmuch as OPA is in the nature of a temporary organization and eventually will go out of existence, it is only logical that the industries themselves should have broader powers and greater authority than they have had heretofore.

Respectfully yours,

FRANCIS S. WHITMARSH,
Chairman, Industry Advisory Committee OPA,
(Wholesale Grocers).

ASHER & BORETZ, INC.,
New York 3, May 6, 1946.

HON. ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Washington, D. C.

DEAR SENATOR WAGNER: In answer to your telegram addressed to me, as chairman of the Industry Advisory Committee for Wholesalers and Converters of Coated Fabrics, I want to express to you my sincere hope that your efforts in extending the life of OPA will be successful.

I cannot see how any good can be accomplished in emasculating price control at this critical time. There is no doubt in my mind, that the best interests of the Nation as a whole can best be served by extending the life of OPA for at least one more year, and I sincerely hope the Congress will not fail in recognizing this fact.

Very truly yours,

MAX ASHER.

NEW YORK, N. Y., *May 9, 1946.*

Senator ROBERT F. WAGNER,
United States Senate Office Building,
Washington, D. C.:

Pursuant to telegraphic request have canvassed available members of committee and can report that all favor extension of OPA but are agreed that production is held back by MAP. Shortage in low price goods prevents normal production of medium price blouses. Elimination of MAP will provide thousands of garments in popular price ranges.

ABRAHAM ROSENTHAL,
Chairman (Women's Blouse Manufacturers),
Industry Advisory Committee.

NEW YORK, N. Y., *May 9, 1946.*

Senator ROBERT F. WAGNER,
Care, Senate Banking Committee, Washington, D. C.:

Your telegram re OPA received after consultation with many members of our industry. Our committee concludes that OPA has been a great stabilizer for the country but feel that it has been in many respects badly administered. However, as to MAP we regard it as so bad that it should be immediately discontinued although we have an advisory committee of which I am chairman and which was appointed by the OPA for the purpose of having proper officials of that agency consult with us. Our advice has never been requested in any of the regulations, orders, or matters visited upon our industry by the OPA except at the first meeting after our appointment more than 2 years ago.

We have found that inquiries have not been answered expeditiously and sometimes not at all, and matters do not get, in our opinion, proper, adequate, and prompt consideration. Nevertheless we do not desire OPA abolished provided these matters will be remedied and our industry committee consulted on all-

important matters before additions to or changes in regulations affecting our industry are made.

We hope that the thoughts herein expressed will aid you and those with whom you have contact to properly appraise both OPA and MAP and that you will feel that the recommendations that we make should be carried out. We thank you for your interest in the matter.

EDWIN ROSENBERG,
*Chairman, Advisory Committee,
(Women's) Neckwear and Scarf Industry.*

JUSTIN McCARTY, INC.,
Dallas, Tex., May 8, 1946.

Senator ROBERT F. WAGNER,
*Chairman, Banking and Currency Committee,
United States Senate, Washington, D. C.*

DEAR SENATOR WAGNER: In response to your telegraphic invitation, I am pleased to submit the following brief statement re the extension of OPA.

I assume that whatever law is enacted for the extension of the OPA will result in the elimination of the maximum average price plan and all arrangements with respect to the preticketing of merchandise. Press reports indicate the fairness of such an assumption and, accordingly, no statement is being made on these points.

The bill adopted by the House of Representatives provides for several amendments to the Price Control Act. Many of these amendments are of no immediate concern to the women's sportswear industry. The amendments which do concern our industry are those which relate to:

1. The length of time for which the OPA is extended.
2. The provision for automatic decontrol.

3. The provision for the pricing of each individual item on the basis of cost plus a mark-up without regard to the over-all profit position of the industry or of an individual company.

In general, it is the opinion of the writer that the elimination of price control should be as orderly as possible and that such an orderliness cannot be obtained by the immediate discontinuance of the OPA. Nevertheless, it would appear that whether or not Congress extends the act for 9 months or for an additional year is comparatively unimportant because Congress may at any time review the action which it takes now.

Inasmuch as the proper method of determining the relative importance of supply must necessarily take into consideration the demand, it does not seem that the use of 1941 production figures is of itself a final method of determining whether or not there is a reasonable supply in view of current demands. I personally doubt if there is any formula which can be adopted which will satisfactorily evolve an automatic provision for the decontrol of prices. It seems to me that the OPA should be required to rely upon the advice of industry advisory committees with respect to the appropriate time for the removal of price controls in any given industry. It is my conclusion, therefore, that an amendment providing for automatic decontrol is unsound.

The production and distribution of textile products are rigidly controlled (particularly for old, established businesses as to ceiling prices and as to distribution) through the means of CPA priority regulations. There remains little effective control of cost and the components thereon. In view of this, it seems difficult to justify the continuing application of price control based upon over-all industry averages. The effect of such a policy has been and is today, to an alarmingly increasing degree, to bring about the substitution of profitable items for wanted items. In other words, the manufacture of staples is continuing to decline and they are being replaced by fancies which, though having less intrinsic value, happen to have more desirable price ceilings. It would seem obvious that if profits can be made on each individual item without regard to industry-wide or company profits, producers would strive to make the most desirable items. This should result in the return of staples to the market. It is conceded that this will bring about some increase in prices but many of these increases will take place on currently nonexistent items.

In conclusion, it would seem to the writer that with respect to those House amendments which affect the women's sportswear industry, the only one at fault is that amendment which would attempt to provide an automatic formula for the decontrol of prices. The price of any commodity is a result of other factors

(such as the relative relationship between the supply of money and the supply of the commodity, among many other things). Prices cannot properly be fixed by the seller or the buyer without full knowledge of all the factors which go to make up a determination of price. When these factors are variable prices must also be variable. This is a condition of fact and is not susceptible of change by legislative act. In a generally frozen economy under which the factors which eventually determine prices are frozen, prices may be regulated—because the things which make prices are regulated. It follows that when regulations no longer exist to control the components of prices, prices themselves cannot be fixed. We have come to this point in our general economy. The increasingly wide substitution of desirably priced unwanted items for undesirably priced staples is a result of this fact. Any legislation adopted at this time must give proper weight to these facts.

Respectfully submitted.

JUSTIN S. McCARTY,
*Chairman, OPA Women's Sportswear (Manufacturers) Industry Advisory
Committee.*

NEW YORK, N. Y., May 9, 1946.

HON. ROBERT F. WAGNER,
*Chairman, Senate Banking and Currency Committee,
Senate Office Building, Washington, D. C.:*

Retel reference extension price control. This committee is in favor of the extension of price control provided MAP be eliminated and further provided the manufacturer be permitted to calculate as his direct costs under MPR 570 his current labor and material costs to which he might add his historic mark-up.

OSCAR COHEN,
*Chairman, Women's Underwear Manufacturers Industry,
OPA Advisory Committee.*

MYRTLE DESK Co.,
High Point, N. C., May 9, 1946.

Senator ROBERT F. WAGNER,
*Chairman, Senate Banking and Currency Committee,
Senate Office Building, Washington, D. C.*

DEAR SENATOR: Replying to your telegram of May 3, addressed to me as chairman, Industry Advisory Committee OPA, stating that the Senate Banking and Currency Committee will be pleased to include in its transcript any brief statement I may desire to submit concerning pending legislation to extend price control. I wired you today that I would submit statement tomorrow, May 10.

As my duties as Chairman of an OPA Industry Advisory Committee are somewhat limited by law, I am handing you herewith statement prepared by John J. Reinecke, secretary of the Wood Office Furniture Institute. The Wood Office Furniture Institute represents a majority of the wood office furniture industry in the United States, and I respectfully request that this statement be included in the committee's transcript covering its hearing on the extension of the life of OPA.

With best wishes, I am,

Yours truly,

W. T. POWELL,
(Wood Office Furniture Industry Advisory Committee).

STATEMENT OF THE WOOD OFFICE FURNITURE INDUSTRY URGING EXEMPTION
FROM PROVISIONS OF S. 2028

(Filed by John J. Reinecke, secretary, Wood Office Furniture Institute)

Exercising its traditional right of petition for relief from undue hardship arising from the administration of the Emergency Price Control and Stabilization Act, the wood office-furniture industry respectfully urges the Senate Banking and Currency Committee to exempt the manufacture and sale of wood office furniture from the proposed provisions of S. 2028, which would extend the emergency act for an additional year.

Exemption from the provisions of S. 2028 is asked for the following reasons:

1. Wood office furniture is neither a "cost of living" item, nor does it affect significantly business costs.

2. Wood office furniture price control has virtually no bearing upon the control of inflation.
3. Administrative difficulties are far in excess of any public advantages which might accrue.
4. Decontrol would not divert materials or manpower from other industries.
5. Such exemption would avoid further extension of unemployment in the industry.
6. Continuation of price control retards introduction of new products and hampers reconversion to peace.
7. Decontrol, by stimulating production, would make more needed desks and chairs available to veterans and other entrepreneurs desiring to enter business.
8. Reasonable prices will prevail if free market is restored to wood industry.
9. Industry unable to get adequate relief through administrative interpretations of facts and law.
10. Such an exemption would reflect the increasing belief of the electorate that, controls not affected with public interest should be eliminated at the earliest possible moment.

11. Such an exemption would help crystallize and expedite Government administrative policy in removing needless red tape and controls on private enterprise.

In making this appeal for the removal of wood office furniture from the provisions of S. 2028, the wood office-furniture industry questions neither the principle nor the desirability of price controls.

However, the makers of wood office desks and chairs do wish to point out that under present peace conditions, when the national economy is striving for stability in production and distribution, the administration of the emergency act is unsound as applied to wood office furniture.

NOT A COST-OF-LIVING PRODUCT

The Director of Price Administration, in a letter dated January 9, 1946, states, "We quite agree that wood office furniture is not a cost-of-living product."

Under Directive No. 68 of the Office of Economic Stabilization, the Price Administrator is authorized to suspend price control on any commodity that does not enter significantly into the cost of living or into business costs.

"DOES NOT AFFECT BUSINESS COSTS"

In his letter of January 9, the Director of Price Administration goes on to state that "We also agree that, taken by itself, wood office furniture is not a major factor in the cost of doing business."

It is, of course, obvious that wood office furniture is a negligible factor in the cost of doing business. Total sales are not more than \$30,000,000. Being a capital investment, the income-tax regulations permit amortization over a 10-year period, making an annual average expense by business of only \$3,000,000.

Notwithstanding these facts, and notwithstanding acceptance of those facts, the Director of Price Administration stated that he would not agree to any policy to suspend temporarily wood office furniture from price control.

Thus, although the OPA is in general agreement with the wood office-furniture industry in respect to the underlying facts, it is reluctant to give relief to the industry from the needless, burdensome, and hamstringing restrictions which have little or no relation to the general public welfare.

Under these circumstances, the wood office-furniture industry, unable to obtain relief from the unreasonable administration of the law, turns to the original source of policy in lawmaking—the Congress of the United States.

NO BEARING UPON INFLATION

Manufacturers of wood desks and chairs are sympathetic with the efforts of government to prevent excessive inflation, but they wish to point out that administrative procedures that needlessly cause confusion and retard reconversion by an industry to peacetime needs, may tend to breed the very inflation planned to be avoided.

Inflation is not to be circumvented by wrapping up completely the national economy with red tape. The time has come for the removal from bureaucratic domination industries such as wood office-furniture industry, whose products do not affect the cost of living or increase significantly business costs.

Inflation breeds upon production that gives too little, too late. Public policies should be framed not to keep all business, both large and small, indefinitely in a strait-jacket. Sound policies of government should aim to encourage full production and full employment.

ADMINISTRATIVE DIFFICULTIES GREATLY OUTWEIGH POSSIBLE BENEFITS

To meet competition arising from new materials and surplus Government stocks to be released, as well as to provide new types of equipment for the needs of modern business, manufacturers of wood office-furniture have redesigned and restyled their lines. It is estimated that if price controls on wood office-furniture are continued, approximately 4,000 applications for pricing new items will be submitted by the industry. Although only a few applications for price adjustments have been submitted by the industry in the past, it has taken OPA from 2 to 4 months to act upon such adjustments. From that experience it would appear that 4,000 applications on new designs from the wood office-furniture industry might keep the OPA staff submerged for years. Any possible benefits to the public would be lost in the labyrinth of bureaucracy.

Similar burdens will fall upon manufacturers in pricing applications in connection with new products. One desk maker has plans and models for 150 new patterns, which will need pricing before they can be added to the postwar lines. Like the industry generally, this manufacturer has a small accounting force. This manufacturer estimates that it will require 6 months to assemble the necessary data for the pricing applications.

Surely, for products which do not affect the cost of living, which are insignificant in business costs, the imposition of months of paper work on both Government and business before actual production can begin is a short-sighted, unreasonable, and unsound policy. Such possible administrative monstrosities should clearly be written out of any law extending the Emergency Price Control Act.

DECONTROL WOULD NOT DIVERT MATERIALS OR MANPOWER

Removal of commercial desks and chairs from price control would not divert materials or manpower from other industries. Although demand for lumber by the construction industry will exceed the supply for some time ahead, the lumber used for home and other construction is virtually all softwood. On the other hand, only high-grade hardwoods are used in the manufacture of office desks and chairs. As a user of hardwood, the industry is relatively small. The annual value of wood office desks and chairs is only \$30,000,000, or only 3.8 percent of the \$800,000,000 value of household furniture. In view of these facts it is apparent that elimination of price control presents no substantial threat of diversion of materials from other industries.

Manufacturers of wood office furniture are typical American "small business" enterprises. A total of less than 3,000 persons are employed by the industry, as compared with 143,000 persons employed in all furniture plants. Most of the office furniture factories are located in small cities and towns, drawing their manpower from the local labor supply. Skills of these workers are essentially different from those in other furniture plants, for the processes, methods and equipment used for making office desks and chairs are quite dissimilar from those used in the manufacture of household furniture. For this reason labor will not migrate from household furniture to office furniture.

WOULD PREVENT UNEMPLOYMENT

Delay in granting relief to the wood office furniture industry will retard progress in returning to full production and full employment. One manufacturer in North Carolina reports that "we were forced to reduce our line to only 14 patterns, and we also were forced to reduce our employees to 200—about 130 less persons than we employed in 1941. If we were permitted to manufacture again a full line we would have no trouble in securing the necessary labor, because there is a surplus in our section. At the end of March 1946, the district manager of the United States Employment Service reported 370 persons had job applications on file with the local office, and 300 of those were veterans."

INTRODUCTION OF NEW PRODUCTS DISCOURAGED

Continuation of price control will retard introduction of new products and hamper reconversion of the industry to the peacetime needs of business. Many functional and design improvements are planned by virtually all manufacturers of wood office desks and chairs, but the pricing uncertainty and red tape is discouraging introduction of such products. One company has made up models of 75 patterns which it would like to put into production immediately, but is restrained by the present price control situation.

During the war, wood office furniture makers reduced their lines and standardized on simple patterns because of the emergency. Many of the types of furniture now being manufactured are unsuited for modern business practices and the demand for new designs is rapidly increasing, but cannot be satisfied.

Another important factor which discourages long-established companies from introducing new patterns is the different pricing standards used by the OPA. Existing pricing regulations work undue production hardships on established manufacturers, and the regulations also discriminate against established firms in favor of newcomers.

DECONTROL WOULD MAKE MORE DESKS AND CHAIRS AVAILABLE

The Office of Price Administration has pointed out that 500,000 new firms are expected to be started over the coming year, many by returning veterans. The administrative policies of the OPA, in refusing to decontrol office furniture in accordance with the conditions set forth in directive No. 68, is making it difficult for new business, as well as old, to obtain needed wood office equipment. Decontrol would remedy this situation and expedite the flow of needed equipment to business.

FREE MARKET WILL BRING REASONABLE PRICES

Fear that prices may rise unduly is given as one reason for failure to decontrol wood office furniture.

Advancing costs of labor and materials entering into wood office furniture may, of course, necessitate prices above their prewar level. But the wood office furniture industry faces strong competition from metal; in fact, during the past quarter of a century metal office furniture has been so aggressive a competitor that, at the beginning of the war before shortages curtailed the manufacture of metal office furniture, 40 percent of the office furniture sold in this country was metal.

In a free market such vigorous competition will automatically bring about reasonable prices and protect the consumer against undue increases.

Not only is the wood industry facing sharp competition by the metal industry for postwar markets, but it also must meet the unstabilizing effects resulting from Government disposal of large quantities of surplus office furniture.

The present OPA interpretation of the law and development of administrative policy in respect to wood office furniture is tying the hands of the manufacturers and preventing planning and preparation to meet the great competitive problems facing them.

Unless a free market is restored, the shackles now on wood office furniture manufacturers will prevent them from moving forward to meet competition.

INDUSTRY UNABLE TO GET RELIEF

The wood office furniture industry has been unable to obtain adequate relief through current administrative practices in interpreting the facts and the law.

Because of the strong competition that prevails in the office furniture industry under normal conditions, the margin of profit of manufacturers above production costs was relatively smaller than that which prevailed in other industries. Notwithstanding this fact, the wood office furniture industry has been given no general over-all increases in prices. However, more than half of all manufacturers have been forced to petition for individual adjustments.

Theoretically, the law provides for equitable adjustment of prices with the costs of labor, materials, and other production expenses. However, there is a wide chasm between theory and practice. The paper work for pricing is so involved, the delays are so long, and the incentives for possible profit are so weak that the system of pricing adjustments for individual items is almost unworkable. Because of this inability to obtain adequate relief, most of the wood desk and chair manufacturers are unable to inaugurate production of their postwar lines of products.

ELECTORATE BELIEVES NEEDLESS CONTROLS SHOULD BE ELIMINATED

There are increasing signs of impatience by the public with the delaying action by administrative officials against returning the American system of enterprise to a free economy.

Much has been said and written to justify such delaying action, but surely such a policy should not include fields, such as the wood office furniture industry, where

wartime controls obviously are no longer necessary and where their continuance results in confusion, uncertainty and instability.

The American system of productive enterprise, which has given this Nation the highest standards of living ever enjoyed by any people in all history, is based upon freedom to plan, to act and to survive. Such freedoms, through the current administration of the emergency price and stabilization act, are being now denied to a group of small manufacturers who are highly representative of the American pattern of free enterprise. Wood desk and chair companies are located in relatively small communities. They are owned by one or two men. Many of them have been established for close to half a century. They face and meet strong competition by other groups for their markets. Such are the men who have made America great.

If such typical American enterprises are to be hampered needlessly in providing goods and services to the public, if such typical American enterprises are to be enmeshed endlessly in the paralyzing red tape of bureaucracy, certainly confidence of the American people in their Government, in the men who make and administer its laws, will deteriorate.

There definitely is no public sentiment for prolongation of needless emergency controls upon the wood office furniture and other industries which do not affect the cost of living.

CRYSTALLIZATION OF SOUND ADMINISTRATIVE POLICIES NEEDED

Transition from war to peace has brought uncertainty and indecision in respect to administrative policies on the price and stabilization emergency control act. Such is to be expected, for the problems of peace are wholly different from those of war. But the need for moving toward full production and continued full employment as a bulwark against inflation is so great that prolonged confusion over policies can only result in damage to the future general welfare of the nation.

Typical of this indecision and uncertain policy is the action of the Office of Price Administration in respect to decontrol of the wood office furniture industry. Recognizing that such furniture is not a cost-of-living product, and recognizing that war controls are hamstringing the efforts of manufacturers to plan and move toward full postwar production and employment, the Office of Price Administration on April 1, 1946, promised the industry that it would be decontrolled.

OPA TURNS POLICY SOMERSAULT

Notwithstanding that promise, the OPA turned a somersault in its policy and 10 days later, April 10, refused to decontrol wood office furniture.

The OPA asserts publicly that its policy is to remove controls as rapidly as possible under Directive No. 68 on products which do not enter into the cost of living.

But actions speak louder than words. The deadening hand of bureaucracy is slow to relax its grip. Without organized public opposition, without specific instructions from Congress, needless price and other controls will linger indefinitely to plague the American system of enterprise.

This matter is so vital to the future welfare and pattern of life of America that Congress, if it extends the life of the Emergency Price and Stabilization Act, should lay down the broad policies in the law and not delegate the formulation of basic policies to the administrative agency. The path of the administrative agency and its powers to change the course of American business should be clearly defined by Congress.

Now is the time for Congress to clear away the debris of needless peacetime controls on non-cost-of-living products, and it is on that reasonable premise that the wood-office furniture industry petitions the Senate Banking and Currency Committee to exempt wood office furniture from the provisions of the bill.

The current law and the administrative regulations dealing with the powers and policies of the Director of Price Administration are said to be ambiguous. That ambiguity frequently is used as a refuge against efforts for decontrol of products not affecting the cost of living. It has been asserted by OPA officials that Congress has not conferred upon them the power to eliminate needless controls, on products not affecting the cost of living. Such a shortcoming, if it exists, should be corrected immediately. Definitely, the OPA should be given authority, if such is needed, to eliminate unnecessary emergency controls and stultifying red tape. Congress should see to it that OPA should understand fully that it can decontrol wood office furniture. There should be no extension of any loophole of ambiguity of legal phraseology in the Emergency Price and Stabilization Act.

PITTSBURGH, PA., May 7, 1946.

Senator ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Washington, D. C.:

Reference your wire May 4. We are weary of regimentation, but it is my considered opinion that it may be advisable to extend price control for a period not to exceed 1 year provided the Office of Price Administration is required by legislation to change its policies respecting price adjustments. Strongly recommended that OPA be required to recognize any and all increases in cost of production subsequent to VJ-day and promptly make commensurate increases in price ceilings except that any industry which was not making a reasonable profit as of VJ-day should be granted an increase in its ceiling prices sufficient to restore that industry to a healthy condition. Appreciate the opportunity given to submit this comment and recommendation.

E. J. MCGEEHEE,
Chairman, Wood Preserving Industry Advisory Committee.

NEW YORK, N. Y., May 6, 1946.

Senator ROBERT F. WAGNER,
Senate Office Building, Washington, D. C.

Thank you for opportunity presented in your telegram of May third to have included in Senate Banking and Currency Committee's transcript a statement from the Wood Pulp Industry's Advisory Committee regarding pending legislation to extend price control. Believe that your committee can best save this Nation by amending price control act so as to make possible maximum domestic production all industries and earliest return to competitive economy.

WILLARD J. DIXON,
Chairman, OPA Wood Pulp Industry Advisory Committee,
New York, N. Y.

WALKER-TURNER CO., INC.,
Plainfield, N. J., May 6, 1946.

Subject: Your telegram to chairman, woodworking and timberworking machinery and equipment manufacturers' industry advisory committee.

Senator ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Washington, D. C.

MY DEAR SENATOR: The advisory committee of which I am chairman is in sympathy with Government price control of consumer goods. However, OPA procedures and methods have wide room for improvement.

The committee is on record with the OPA as being opposed, in principle, to price control of capital goods.

Industrial equipment is capital goods which do not affect significantly either the cost of living or business costs.

Price decontrol of all capital goods would encourage the immediate production of time- and labor-saving equipment which would enable producers to improve higher quality production at lower costs than their present equipment permits.

The products of this advisory committee's industry are vitally needed to speed up Wilson Wyatt's housing program. The majority of manufacturers cannot afford to produce the machines essential to that program under existing price levels.

Administrator Paul A. Porter stated April 8, 1946, "The field of industrial equipment is one in which there are many difficult pricing problems for both the manufacturers and the agency, which, under continued control, would have to be solved to avoid interference with production. Decontrol is therefore a proper solution in view of the fact that there seems little prospect of diversion, or of excess prices."

It is the advisory committee's firm conviction that the woodworking and timberworking machinery and equipment-manufacturers industry comes completely within the range of Administrator Porter's stated views.

It is its further conviction that price decontrol of industrial equipment (capital goods) is essential to the country's economic needs.

Respectfully submitted.

J. A. CAREY,
Chairman, Woodworking Machinery and Equipment Manufacturers, Industry Advisory Committee to OPA.

YONKERS, N. Y., May 9, 1946.

HON. ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Senate Office Building, Washington, D. C.:

Our industry opposed to price control because it tends to restrict production, stimulate black markets, and build up bureaucracy, but does not object to limited extension to December 31, 1946, at latest in order to effect orderly transition to free economy. The extension act should include specific and automatic decontrol provisions permitting only limited administrative discretion. OPA should be required periodically to report to Congress on steps taken to assure eventual decontrol of individual industries, and liquidation of OPA at end of extension OPA should immediately decontrol entire industries or individual industries having no substantial effect on living costs. OPA requirement that cost increases be absorbed until normal peacetime dollar earnings are impaired is unfair and should be eliminated. OPA has been unwilling to recognize any period other than the 1936-39 as representative of normal for wool floor covering industry despite fact that this period was marked by wild fluctuations in material prices and sales volume which resulted in substandard profits. OPA reconversion pricing formula should be amended to allow reconverting industries to include as a legal cost increased additional cost of vacations, pay for unworked holidays, and certain fringe wage items now excluded as costs by OPA.

WILLIAM F. C. EWING,
Chairman, OPA Wool Floor Coverings
Manufacturers Advisory Committee.

THE BOSS MANUFACTURING CO.,
Kewanee, Ill., May 7, 1946.

HON. ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
United States Senate, Washington, D. C.

DEAR SENATOR WAGNER: In reply to your telegram of May 3 to me as chairman of the work-gloves industry advisory committee of the Office of Price Administration, I am glad to submit a brief statement concerning the pending legislation to extend price control.

The following statement has received the unanimous approval of our industry committee.

Your researches and those of the Senate Committee on Banking and Currency have disclosed fully, I am sure, the relevant data on the major issues of the proposed bill. In the interest of brevity, I shall not, therefore, discuss the major issues.

There are, nevertheless, specific problems of major importance to our industry which merit the careful consideration of your committee. They are administrative in character, in no wise touching the merits or demerits of price control as such. The first relates exclusively to what we consider an administrative matter and the second to a grievous mistake in the interpretation and enforcement of the General Maximum Price Regulation.

With respect to the first problem, it is essential to our industry that administration of OPA provide for quick action where relief is necessary. This industry produces a commodity which is essential to workers in industry, agriculture, and all other pursuits requiring hand protection. Civilian Production Administration has recognized this fact in making critical materials available for work gloves. OPA priced these materials at a level which raised work glove manufacturing costs higher than ceiling prices. Representatives of the work glove industry called this to the attention of high OPA officials the day following the issuance of material price increases. It was readily conceded that price relief was in order but more than 8 weeks have elapsed and relief has not yet been forthcoming. In the meantime some members of the industry who could not stand the loss involved have been forced to curtail or discontinue production of this sorely needed product. Any steps which your committee can take which will insure speedy administrative relief in situations of the type described will be beneficial not only to the work glove industry but to the consuming public.

With respect to the second problem, there are still pending in the courts lawsuits under the General Maximum Price Regulation against a major portion of the work glove industry which are highly inequitable, indefensible from the standpoint of good administration, and which, if persisted in by the Office of Price Administration, will do serious financial injury to, if indeed they may not completely cripple, certain work glove manufacturers.

The essential facts are simple. To comply with antecedent sales contracts of many months' standing, members of the industry made delivery of certain glove styles in March 1942, at the lower prices specified in those contracts. Thereafter they proposed to deliver the same or similar styles to new purchasers at the regular March 1942 prices, conformably with the mandate and objective of the General Maximum Price Regulation. Before doing so, however, an important member of the industry took the further precaution of coming to Washington, placing the problem before OPA officers, and receiving assurance that his company might properly sell and deliver these styles on new orders thereafter at March 1942 list prices. This advice, thoroughly in harmony with the objectives of the General Maximum Price Regulation, was disseminated to other members of the industry, who governed themselves accordingly.

Shortly thereafter, in August 1942 and again in December 1942, in connection with amendments Nos. 23 and 38 (particularly the latter), the interpretation thus relied upon by the glove manufacturers was expressly confirmed in OPA press release No. 1223 as follows:

"Sellers who made general price increases prior to April 1 are authorized by the Office of Price Administration today to apply the increases to ceiling prices for goods and services delivered last March under long-term contracts.

* * * * *

"The effect is to allow one, who last March delivered at prices established by a contract signed many months before and who raised his prices generally before April 1, to bring his prices on the expiration of the contract in line with the increased prices he was charging in March. March is the base price period under the two regulations." [Italics supplied.]

Particular attention is invited to the italicized sentence in the foregoing quotation which squarely and directly placed the stamp of OPA approval on the industry pricing on new orders just described.

Another manufacturer received written instructions from OPA to resume selling at the March 1942 prices.

Still further reassurances were received by industry members which I shall not take the time to recount.

To the amazement and alarm of the industry, the Office of Price Administration in July 1943 took the position for the first time that since these manufacturers had delivered gloves in March 1942 under old contracts bearing lower prices, they could not, as to such gloves, use the general March 1942 level of prices even for deliveries on new orders. Lawsuits were filed against leading members of the industry, claiming violation of price ceilings because of this new position taken by OPA.

These lawsuits are perfect examples of alleged liability without fault. By no care, precaution, initiative, or foresight could the glove manufacturers have anticipated this inequitable result. These glove manufacturers did not willfully violate price ceilings. It is not claimed, nor could it be, that any of the cases involve black markets, evasions, or other objectionable practices.

The stark fact is that these manufacturers are to be penalized for living up to the terms of their previous sales contracts in March 1942 instead of disregarding those contracts and confining delivery at that time of the particular styles to new purchasers. They are penalized for honoring their existing commitments. The lawsuits deny to these defendants who honored their previous commitments the March 1942 level of prices which are extended without question to everyone else. It seems incontrovertible that the basic objective of the General Maximum Price Regulation was to set the March 1942 price lists as proper ceilings; that also is denied to these defendants.

Good administration suffers when such injustices are permitted. Citizens who want to have faith in the administrative process become apprehensive. All government suffers in consequence.

To make these observations is not to criticize any individual now or heretofore in the Office of Price Administration. Their burden is heavy; their activities of necessity are numerous and diverse. They must function by rules if utter chaos is to be avoided. Nevertheless, the objective of all rules is to achieve justice, and when, as in this case, that objective fails, it is the duty and privilege of the legislature to aid the administration by prompt steps to correct the injustice.

It is to be hoped that your committee, by whatever means seem proper, can find a way to remedy the shocking injustice involved in these pending suits.

Very truly yours,

ELLIS J. WALLER,
Chairman, Work Gloves Industry Advisory Committee.

X